

INKWANCA MUNICIPALITY

2010/2011 ANNUAL REPORT



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Preface

PROPOSED REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the needs expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. It replaces a template dating back to August 2003.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the MFMA.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

The revised template relates to the Medium Term Strategic Framework particularly through the IDP strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others.

Notes are included throughout the format to assist the compiler to understand the various information requirements. Once the draft has been finalised, training will be provided to facilitate the implementation of this initiative, and separate additional guidance may be issued if necessary.

We wish to express our gratitude to the members of the Annual Report Reference Group, consisting of national, provincial and municipal officials for their inputs and support throughout the development of this document.

Chapter 1

CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD



As the ‘**Section 127**’ of the Municipal Finance Management Act that the Mayor must within seven months after the end of a financial year, table in the municipal council the Annual report of the municipality. The period covered by this Annual report marks the end of the 2006-2011 electoral mandate’s whole theme “**A plan to make Local Government work better for you**” of which a lot has been achieved and yet there are more service delivery challenges that needs to be achieved.

The year under preview saw the municipal elections in which the electorate has again shown a great confidence in the ruling party by voting her again in power to continue building better communities. As the municipality we will continue to provide an equal opportunity for material and social up-liftment for all residents and not neglecting to mitigate the imbalances of the past.

I can proudly report during the year under review amongst others progress that has been made by our municipality in improving service delivery e.g. donating 1500 Willie-bins to the community, providing clean water and decent sanitation, implementing projects that have created more job opportunities in our municipality, youth development by means of the Mayor’s Cup. We have managed to spend all our MIG allocation in the year review. Although the amount allocated on us remains a challenge in terms of addressing the backlog that we have in our municipality. I hope the method will change in future so that we can be funded according to our needs and not according to our population. One other aspect we need to improve on is the Audit report.

We cannot continue receiving a bad Audit outcome year after year. Although we are collecting on service charges but we need to improve on revenue enhancement. This will make it possible for us to create more jobs and provide quality service to all people.

Under the period under review the municipality had no ward committees because we had no wards, but we managed to use other methods so that we can have an active public participation like area committees and all stakeholders in our municipality. The methodology managed to make wonders because it increased public awareness and improved accountability to communities.

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I am committed to improve service delivery over the next few years. This will be done by building 100 middle-income houses. Engaging all government departments to have offices in our municipality. Engaging the private sector for the rehabilitation of the railway line and by looking for partnerships in opening coal mines in our area as we have a coal belt.

Let me take this opportunity to thank the former Mayor, Clr M. Yekani and his councilors for playing a major role in the realization of a plan to make local government work better for you. I appreciate the contribution and commitment shown by our management, under the leadership of Mr. N.A. Ncube, staff and all the stakeholders towards the realization of our vision and mission as Inkwanca Local Municipality.

I urge all our stakeholders to interact with the report and to exercise their democratic right (which is enshrined in the constitution) to comment on the performance of the municipality.

I thank you

M.N. Qamngwana

Mayor

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COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW



In terms of **Section 121** of the Municipal Finance Management Act of 2003 (Act no.56 of 2003) every municipality is required to prepare an annual report in respect of each financial year and the Accounting Officer must table such a report to the council within six months of the end of the financial year. This annual report shall be prepared in accordance with **Section 46** of the Municipal Systems Act of 2000 (Act no.32 of 2000).

On the subject of performance, the municipality did not perform as well as it could have and this is due to general capacity constraints experienced by the municipality. This is a historical challenge that has had a negative effect to the municipality however we are nonetheless addressing this matter as the municipality. Notwithstanding the said capacity constraints, the municipality has nonetheless achieved satisfactory delivery as presented under Performance Highlights below:

The municipality has prioritised the following:

- Provision of potable water and adequate sanitation to the communities;
- Provision of electricity;
- Road Infrastructure;
- Local Economic Development
- Provision effective and clean governance
- Organizational development and
- Financial viability of the municipality

While the provision of water is a competence of the District Municipality, the local municipality has a key role in identifying priority communities for intervention and ensuring indeed that the District Municipality delivers in this regard. Similarly, delivery of electricity in the 60% communities is an Eskom competence; however the municipality plays an enabling and monitoring role in this respect also.

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The Inkwanca municipal area is **blessed with natural resources such as coal, clay and good pastures**. The challenge and the priority of the municipality is to tap into these natural resources with an objective of ensuring that there is an economic beneficiation by the communities of Inkwanca.

Public participation by the members of the community is also one of the priorities as we actively seek to have the members of the community play an active role in the Municipal Programmes.

The municipality's financial health is not at the position where we would like it to be. Some of the key issues in this regard are; that the municipality's revenue collection rate was below budget, that the new valuation roll has not been implemented i.e. the billing level is below the level where it should be, and the fact that our budget for the year under review was unrealistic (not achievable). The foregoing illustrates two issues firstly being the fact that the municipality is not a preferred financial position i.e. not adequate money collected and recovered; the second issue depicted is that of a financial management function that is not adequate.

Going forward, we have addressed and continue to address the capacity issues within the BTO and across other municipal departments, this will address the issues of financial mismanagement in the past as well as the general financial position of the municipality given that income collection and recovery will be one of the priorities. In the new financial year, these issues have been addressed even in terms of Performance Contracts signed between the Municipal Manager and the rest of section 57 managers.

The municipality assisted by the Province through Operation Clean Audit is working on a comprehensive plan to address the financial and human resources management skills and personnel resources (capacity) issue going forward. In the 2011/12 financial year a number of these plans have since been put in place.

Given the institutional challenges experienced in the year under review, key statutory requirements such as implementing an effective Performance Management Systems were not complied with. As a result, performance reviews were not conducted in time this year. However, we are pleased to report that this position has been reversed in the ensuing financial years.

I sincerely express my gratitude to the dedicated employees of Inkwanca Local Municipality who continue to provide quality services to our residents despite limited resources. A word of gratitude also goes to the former Mayor Mr M.E. Yekani, and his team of councillors for their commitment to vision and of being loyal servants of the people of Inkwanca, they have laid a solid foundation for the future. Finally I congratulate the new leadership on their election, led by His Worship, the Mayor, Cllr MN Qamngwana. They have come at the right time to inspire our people to work for the common good.



Chapter 1

NA NCUBE **Municipal Manager**

AUDIT REPORT 2010/11

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON INKWANCA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Inkwanca Local Municipality, which comprise, the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the **year then ended**, and a summary of significant accounting policies and other explanatory information, as set out on pages x to x and pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa (PAA) my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Because of the matters described in the Basis for Disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for audit opinion.

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Basis for Disclaimer

Revenue

4. Included in revenue is an amount of R 8 829 420 (2010: R 864 000) for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, occurrence, accuracy, cut-off and classification of revenue.
5. As per GAMAP 9, Revenue. Revenue shall be measured at the fair value of the consideration received or receivable. Not all rateable properties were captured onto the system and errors were made in basic service charges billings, resulting from incomplete assessment rates charges of R 1 968 599. Consequently, revenue and other receivables from exchange transactions are understated by R 1 968 599.
6. In terms of paragraph 15 of GRAP 9, Revenue from Exchange Transactions, revenue shall be recognised at the fair value of the consideration received or receivable. In contravention of this requirement, included in trade and other receivables is an amount of R 2 059 956 (2010: R 1 672 263) resulting from incorrect basic service charges charged, differences found in assessment rate charges, interest charged and VAT errors. Consequently, revenue and trade and other receivables are overstated by R 2 059 956.
7. Inter-departmental charges of R 1 182 773 (2010: R 415 815) have not been recorded in terms of paragraph 12 of GRAP 9 as the municipality charged itself service charges when there were no inflows of economic benefits. Consequently, revenue and trade and other receivables are overstated by R 1 182 773.

Trade and other receivables

8. Included in the gross balance of trade and other receivables included in note 2 is an amount of R 23 113 289 (2010: R 4 726 242) relating to trade and other receivables for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation, rights, existence and completeness of trade and other receivables.
9. An amount of R 442 973 relating to credit balances for unallocated receipts were incorrectly processed to trade and other receivables. Consequently trade and other payables and trade and other receivables are understated by R 442 973.

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10. IFRS 7 – Financial Instruments: Disclosure requires a disclosure of an analysis of the age of financial assets that are past due but not impaired as at the end of the reporting period. Contrary to this requirement, incorrect ageing of trade and other receivables was disclosed in note 2 to the annual financial statements.

Employee related costs

11. Included in employee related costs is an amount of R 3 128 782 (2010: R 170 000) for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, occurrence, accuracy, cut-off and classification of employee related costs.
12. Furthermore, an amount of R 173 328 relating to stand by allowances was calculated using the incorrect rate of the daily tariff. Consequently, employee related costs and trade and other payables are understated by R 173 328.

Accumulated deficit

13. Included in note 42 relating to the corrections of prior year errors is an amount of R 484 324 (2010: R 372 173) for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence as to the completeness, valuation, existence, and rights and obligations of accumulated deficit.
14. Reclassifications, correction of prior year errors and directive 4 amendments are included in note 42 to the annual financial statements. Amounts of R 364 524, R 362 014 and R 771 542 relating to grant revenue, other income and grant expenditure respectively were not recorded in the prior year and have not been disclosed as prior year errors. Consequently, the disclosure of prior period errors is incomplete by R 1 498 080.

Provisions

15. IAS 19: Employee Benefits, requires the entity to recognise a present obligation for leave days and bonus accrued at year end. Contrary to this requirement, the following material misstatements were identified during my audit:
16. An amount of R 237 929 (2010: R 168 370) relating to provision for leave pay was incorrectly calculated. The number of leave days taken per the system does not agree to the leave forms in the leave form file. Consequently, employee related costs and the leave pay provision are overstated by R 237 929 (2010: R168 370).

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17. An amount of R 313 653 (2010: R 241 419) relating to bonus provision was incorrectly calculated. The provision included employees with June birth months however the employees with birthdays in June had been paid their bonus before year end. Consequently, employee related costs and the bonus provision are overstated by R 313 653 (2010: R 241 419).
18. The municipality is required by IAS 19: Employee Benefits to disclose in the financial statements, the amount of long service awards provision at financial year end. The municipality does not have a system in place for the identification and recognition of this provision and consequently did not disclose any provision for long service awards. I was unable to confirm or verify by alternative means the long service awards provision and as a result, I was unable to determine the long services awards provisions to be disclosed in the financial statements.

Irregular expenditure

19. Section 125(2) of the MFMA requires the notes to the annual financial statements to include any material irregular expenditure incurred during the financial year.
20. Irregular expenditure amounting to R 2 562 685 (2010: R 1 695 304) was not included as part of note 31 to the annual financial statements. This relates to contravention of section 12(4) of the MFMA. Consequently, irregular expenditure is understated by R 2 562 685.

Property, plant and equipment

21. In terms of s63(2)(c) of the Municipal Finance Management Act, the accounting officer must maintain a system of internal control of assets, including an asset register.
22. GRAP 16: Investment property and GRAP 17: Property, plant and equipment (PPE), read with Directive 4: Transitional Provisions for Medium and Low Capacity Municipalities requires the municipality to have recognised all Investment Property and PPE. Even though the opening balance of Investment Property and PPE at 1 July 2009 as disclosed in note 7.2 and note 6.2 respectively in the financial statements is reflected at zero (provisional values), the municipality is still required to maintain a complete listing of all Investment Property and PPE assets. The process to compile such a listing has not taken place and consequently the municipality has not recognised all Investment Property and PPE assets belonging to the municipality in its financial records.
23. In addition, the Municipality has included in its listing of Investment Property and PPE assets whose physical existence could not be verified or verified against a title deeds' search.

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Trade and other payables

24. Included in trade and other payables from exchange transactions is an amount of R 4 900 644, relating to Chris Hani District Municipality – Water Services Authority Control Account, for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, existence, valuation, obligation and classification of trade and other payables.
25. Paragraph 83 of Framework for the Preparation and Presentation of Financial Statements states the requirements for when a liability should be recognised. In contravention of this, the municipality did not accrue for invoices relating to payments made subsequent to year end amounting to R 125 928 (2010: R 508 000). The payments were made for general expenses and VAT incurred in the current financial year. Consequently, trade and other payables from exchange transactions and expenditure are understated by R 125 928 (2010: R 508 000).
26. IAS 39, Financial Instruments – Recognition and Measurement, requires financial liabilities to be initially recognised at fair value. Included in trade and other payables is an amount of R 252 196 resulting from the incorrect calculation of service charges charged to consumer debtors. These debtors have credit balances at year end and are included in trade and other payables on the statement of financial position. Consequently trade and other payables as well as revenue is understated by R 252 196.

Expenditure

27. Included in grants and subsidies expensed is an amount of R 3 989 183 (2010: R 1 355 400) for which adequate supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, occurrence, accuracy, cut-off and classification of grants and subsidies expensed.
28. In terms of paragraph 98 of GRAP 1, the nature and amount of all material items of revenue and expenses must be disclosed separately in the annual financial statements.
29. Included in the general expenses Note 28 is an amount of R 2 859 128 relating to the prior year of which a breakdown was not disclosed in the prior year annual financial statements. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy of the disclosure of individual, material prior year general expenses.

Financial sustainability

30. The municipality is currently in a net liability position of R 12 852 657 represented by an accumulated deficit of the same amount. The municipality is unable to settle short term debts timeously and could not provide indication of planned mitigating actions regarding the liquidity situation. There is a significant uncertainty as to whether the municipality will be able to settle its obligations as they fall due. The annual financial statements and notes thereto do not disclose this fact.

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Cash flow statements

31. Included in the Cash flow statement is an amount of R 25 800 792 relating to payments of cash flows from operating activities for which supporting documentation could not be provided. The municipality's accounting records did not permit the application of alternative audit procedures. Consequently, I could not obtain sufficient appropriate audit evidence as to the presentation and disclosure of the cash flow statement.

Other explanatory information

32. Commitments have not been disclosed for the comparative figures included in note 33 to the financial statements. No contract management system was in place for the identification and recognition of contracts at the municipality. Consequently, I was unable to satisfy myself as to the completeness of the prior year disclosure.
33. The municipality did not disclose all the relevant information such as the maturity analysis for financial liabilities and financial instruments per category as required by the International Financial Reporting Standards – IFRS 7, financial instruments: Disclosures.

Disclaimer of opinion

34. Because of the significance of the matters described in the Basis for disclaimer for disclaimer paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unauthorized expenditure

1. As disclosed in note 31 to the financial statements, unauthorised expenditure of R12 370 401 was incurred during the financial year.

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Additional matter

2. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedule

3. The supplementary information set out in appendix A, does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

4. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages xx to xx and material non-compliance with laws and regulations applicable to the municipality.

Presentation of information

1. The following criteria are relevant to the findings below:
 - Performance against predetermined objectives is reported in accordance with section 46 of the MSA.
2. Audit findings:

Measures taken to improve performance were not provided in the performance report

- Measures taken to improve performance were not provided in the performance report, as required in terms of section 46(1)(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). None of the reported targets had details of the measures taken to improve performance.

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Usefulness of information

3. The following criteria are relevant to the findings below:

- **Consistency:** Objectives, indicators and targets are consistent between planning and reporting documents
- **Relevance:** A clear and logical link exists between the objectives, outcomes, outputs, indicators and performance targets
- **Measurability:** Indicators are well-defined and verifiable, and targets are specific and measurable and time-bound

4. Audit findings:

Changes (including reasons for and approval thereof) to planned indicators and targets are not disclosed in the report on predetermined objectives

- Changes to the indicators and targets of the service delivery and budget implementation plan for the year under review were not disclosed and explained as required in terms of the Framework for Managing Programme Performance Information issued by National Treasury.

Indicators not consistent between the integrated development plan and the service delivery and budget implementation plan

- All of the indicators and targets of the service delivery and budget implementation plan were inconsistent with the integrated development plan.

Planned objectives and indicators are not relevant to the mandate and objectives of

The entity

- The indicators and targets as per the integrated development plan did not relate directly in more than 46% of instances to the institution's strategic goals and objectives as per the five year integrated development plan.

Planned and reported indicators are not well defined

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- For the selected objectives, 44% of the planned and reported indicators were not clear, as well defined data definitions were not available to allow for data to be collected consistently

Planned and reported targets are not specific

- For the selected objectives, 32% of the planned and reported targets were not specific in clearly identifying the nature and the required level of performance.

Reliability of information

5. The following criteria are relevant to the findings below:

- **Validity:** Actual reported performance has occurred and pertains to the entity.
- **Accuracy:** Amounts, numbers, and other data relating to reported actual performance have been recorded and reported appropriately.
- **Completeness:** All actual results and events that should have been recorded have been included in the annual performance report.

Reported performance against targets is not complete when compared to source information

- For the selected objectives, ensure that all households have access to roads, communities have appropriate community lighting and provide a high level of water service, 17% of indicators selected for testing were not complete.

Reported performance against targets is not valid and accurate when compared to source information

- For the objectives related to ensuring that communities have appropriate community lighting, facilitating management of water demand, 100% expenditure on the capital projects funded by MIG grant, providing facilities for the dignified and environmentally safe disposal of human remains, promoting local business and facilitating SMME's training, and General key perfor-

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mance indicators as prescribed by section 43 of the MSA and regulation 10 of the Municipal Planning and Performance management Regulations, 2001, 38% of indicators selected for testing where not valid and accurate when compared to source information.

Reported performance against targets is not valid, accurate and complete as inadequate supporting source information was provided

- For the objectives relating to ensuring that all households have access to roads, facilitating the provision of adequate housing by 2014, creating a growing and sustainable economic sector, promoting local business and facilitating SMME's training, and General key performance indicators as prescribed by section 43 of the MSA and regulation 10 of the Municipal Planning and Performance management Regulations, 2001, 38% of indicators selected for testing could not be verified due to inadequate supporting source information. No alternative procedures could be performed to verify the reported performance.

Compliance with laws and regulations

Strategic planning and performance management

6. The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1)(a)(ii) of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA).
7. The accounting officer of the municipality did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the mayor of the municipality, the National Treasury, and the provincial treasury as required by section 72(1)(b) of the MFMA.
8. The integrated development plan does not contain an assessment of the existing level of development and identification of communities which do not have access to sanitation and solid waste removal as required by section(26)(b) of the MSA.
9. The integrated development plan did not include the key performance indicators and performance targets determined, according to its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

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10. The integrated development plan did not include the organogram as required by sections 26(a) of the MSA and regulation 2(3) of the Municipal Planning and Performance Management Regulations, 2001.
11. The integrated development plan did not include the financial plan and budget projection for at least the next three financial years, as required by sections 26(h) of the MSA and regulation 2(3) of the Municipal Planning and Performance Management Regulations, 2001.

Budgets

12. The municipality incurred expenditure that was not budgeted for and incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.
13. The accounting officer did not always submit the monthly budget statements to the mayor and the relevant provincial treasury, as required by section 71(1) of the MFMA.
14. Unforeseeable and unavoidable expenditure not provided for in the annual budget was incurred but was then not appropriated in an adjustment budget, as required by section 29(2)(d) of the MFMA.
15. The annual budget of the municipality is not based on the development priorities and objectives as well as the performance targets set by the municipality in its IDP as required by regulation 6 of the Municipal Planning and Performance Management Regulations, 2001.

Annual financial statements, performance and annual reports

16. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of capital assets, current assets, current liabilities, revenue, expenditure, net assets and disclosure items, identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving an a disclaimer of opinion.

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17. The municipal council did not adopt an oversight report containing the council's comments on the annual report within two months from the date on which the 2009/10 annual report was tabled in the council as required by section 129(1) of the MFMA.
18. The accounting officer did not make public the council's oversight report on the 2009/10 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.
19. The performance report for the 2009/10 financial year was not included in the 2009/10 annual report as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) read with section 121(3)(c) of the MFMA.

Audit Committees

20. The audit committee did not advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information as required by section 166(2)(a)(iv) of the MFMA.
21. The audit committee did not advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to compliance with the MFMA, the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA) and other applicable legislation as required by section 166(2)(a) of the MFMA.
22. The performance audit committee or another committee functioning as the performance audit committee did not perform the following as required by Municipal Planning and Performance Management Regulation 14:
23.
 - review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality
 - review the municipality's performance management system and make recommendations in this regard to the council of the municipality
 - submit an auditor's report to the council regarding the performance management system at least twice during the financial year.

Internal Audit

24. Internal audit did not report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation as required by section 165(2)(b) of the MFMA.

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25. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14.
26. The internal audit processes and procedures did not include assessments of the functionality of the municipality's performance management system and whether the system complied with the requirements of the MSA as required by Municipal Planning and Performance Management Regulation 14.
27. The internal audit processes and procedures did not include assessments of the extent to which the municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators as required by Municipal Planning and Performance Management Regulation 14.
28. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee as required by Municipal Planning and Performance Management Regulation 14.

Procurement and contract management

29. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as per the requirements of the Municipal Supply Chain Management Regulations (Notice 868 of 2005) (SCM regulation) 19(a) and 36(1).
30. A list of accredited prospective providers was not in place for procuring goods and services through quotations as required by SCM regulation 14(1)(a).
31. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).

Expenditure management

32. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

Chapter 1

33. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised expenditure when it was incurred / accounted for creditors of the municipality / accounted for payments made by the municipality, as required by section 65(2)(b) of the MFMA.
34. The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
35. The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA.
36. Money received by the municipality for conditional grants was used for purposes other than per the conditions of the related grant, as required by section 12(4) of the MFMA

Revenue management

37. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.
38. A credit control and debt collection policy was not implemented as required by section 96(b) of the MSA.
39. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised revenue when it is earned / accounted for debtors / accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA.

Asset Management

40. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA.
41. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register) as required by section 63(2)(c) of the MFMA.

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INTERNAL CONTROL

42. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

43. Leadership

Management performed inadequate reviews of recording and processing of data into the general ledger system and as a result numerous unnecessary material errors were found.

Municipality's Council performed inadequate reviews of the accounting policies, amounts and disclosure notes reported in the annual financial statements and relied on the financial statement consultants to prepare the financial statements. As a result the financial statements included incomplete accounting policies and disclosure notes and inaccurate balances / totals.

There is a lack of / inadequate policy and procedure documents addressing fundamental accounting practices, and for which no persons are held responsible.

Responsibility and accountability has not adequately been delegated to management to ensure compliance with the applicable legislation.

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44. Financial and performance management

Monthly reconciliations are not performed between general ledger / trial balance accounts and the sub-ledgers, specifically with regards to revenue, trade receivables and employee related costs. As a result information from the sub-ledgers updated to the general ledger is incomplete or inaccurate.

Management performed inadequate reviews of recording and processing of data into the general ledger system and as a result numerous unnecessary material errors were found.

Cash flow problems of the Municipality resulted in numerous supplier invoices not being paid within 30 days of invoice, resulting in non-compliance with the MFMA.

Transactions taking place after year end are not evaluated to determine if there is a possible effect for the related financial year, for example supplier payments made after year end

Chapter 1

are not evaluated to establish if they give an indication of purchases not recorded in the correct financial year.

Inadequate reviews take place to ensure the procurement processes are followed as required by the SCM requirements and the MFMA.

Fixed asset registers are not updated adequately for changes made with regards to immovable property and other fixed assets.

Documentation is inadequately filed and stored by the Municipality resulting in documentation not being timeously provided for audit.

45. Governance

The work of the internal audit unit is not regularly reviewed to ensure that the responsibilities of the internal auditors are being performed effectively and reliably.

The Audit Committee did not perform ongoing monitoring and supervision to enable management to determine whether internal control over financial reporting is present and functioning.

East London

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Chapter 1

REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR UNDER REVIEW 2010 – 2011

INTRODUCTION

The municipalities of INXUBA YETHEMBA, INKWANCA AND TSOLWANA have a shared audit committee. The audit committee is responsible to discharge its duties in terms of the Municipal Finance Management Act No.56 of 2003, particularly in terms of section 165 and 166.

AUDIT COMMITTEE RESPONSIBILITIES

Per Section 166 of the MFMA the Audit Committee advised council specifically on matters relating to:

- a) Internal Audits and Internal Financial Control.
- b) Risk Management.
- c) Performance Management and Evaluation
- d) Effective Governance
- e) Statutory Compliance.

METHODOLOGY

The audit committee did meet at least four times during the year under review. The audit committee further attended all meetings on invitation by the Municipal Manager or as requested by the Mayor of Inkwanca Municipality. However the audit committee did not fully discharge its responsibilities in terms of the MFMA. No adequate advice was given to council on the external audit process as required information was not provided timeously to the members of the audit committee, nor did the audit committee chair meetings with the Auditor General to discuss the nature and scope of their audit. Information was obtained from the Municipal Manager and the internal auditors regarding the external audit process.

A member of the audit committee also did not attend all the Inkwanca council meetings during the year. The council did not inform the audit committee about all the council meetings and the audit committee therefore did not know about all the council meetings. It should be noted that it is a requirement that a member of the audit committee must attend council meetings.

The report of the Auditor General was tabled and the audit committee took note of the report of the Auditor General. The Audit committee advised council, together with council drafted a plan of action in response to the report of the Auditor General. However the implementation of the action plan was not constantly monitored by the audit committee nor was the Internal Audit Unit involved in the monitoring process of the implementation of the action plan. For the year under review internal conflict between the internal auditors and management of the institution also negatively affected the efficiency of the IAU resulting in the ineffectiveness of the IAU.

The Audit committee received the draft of the Annual Financial statements in order to provide council with an authoritative and credible view of the financial position of the municipality. The audit committee also advised council on the overall level of compliance with municipal finance management, the revenue Act and other applicable legislation.

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The audit committee specifically advised the council on Assets Register, Disclosure on Grants, Liabilities of the Municipality, Fruitless Expenditure, Performance Management and Evaluation, Policies, Integrated Development Plan and Performance Assessment of Managers. A member of the audit committee participated in the annual performance assessment Managers.

An Audit Plan was approved for the year under review that guided the internal audit function of the internal audit unit. As indicated prior in the report conflict seriously hampered the functioning of the IAU. Although this was reported to the Municipal Manager the issue was not addressed and contributed to the poor performance of the institution. During the year under review the findings of the IAU were largely ignored by the institution and not acted upon. Little feedback is provided to the audit committee and the internal auditors on the implementation on turn around strategies to improve performance and compliance of the institution. The level of oversight exercised by the accounting officer is not efficient and therefore findings of the internal auditors are ignored by management.

Other Deficiencies identified during the year include lack of internal controls, lack of oversight by management and a negative corporate culture that impedes growth and development. This had a profound influence on service delivery. The institution did not attend to the negative corporate culture that makes quality in the workplace impossible as legislative requirements were largely ignored. This we believe is largely responsible for the AG findings.

Although risk assessment was conducted during the period in order to develop a risk strategy and to develop a fraud prevention plan this was not implemented.

The weaknesses in the municipality's general controls affect the availability, reliability and accuracy of information.

CONCLUSION

The audit committee would like to express its gratitude to the Inkwanca Municipality for the manner in which we were received. It has been a fruitful time for members of the audit committee and also an opportunity to be of service to the people of Inkwanca Municipality. Further, the audit committee would also like to thank the Honourable Mayor and the Municipal Manager for their support during the year.

Theophilus J. Trion

Chair Audit Committee Inkwanca Municipality

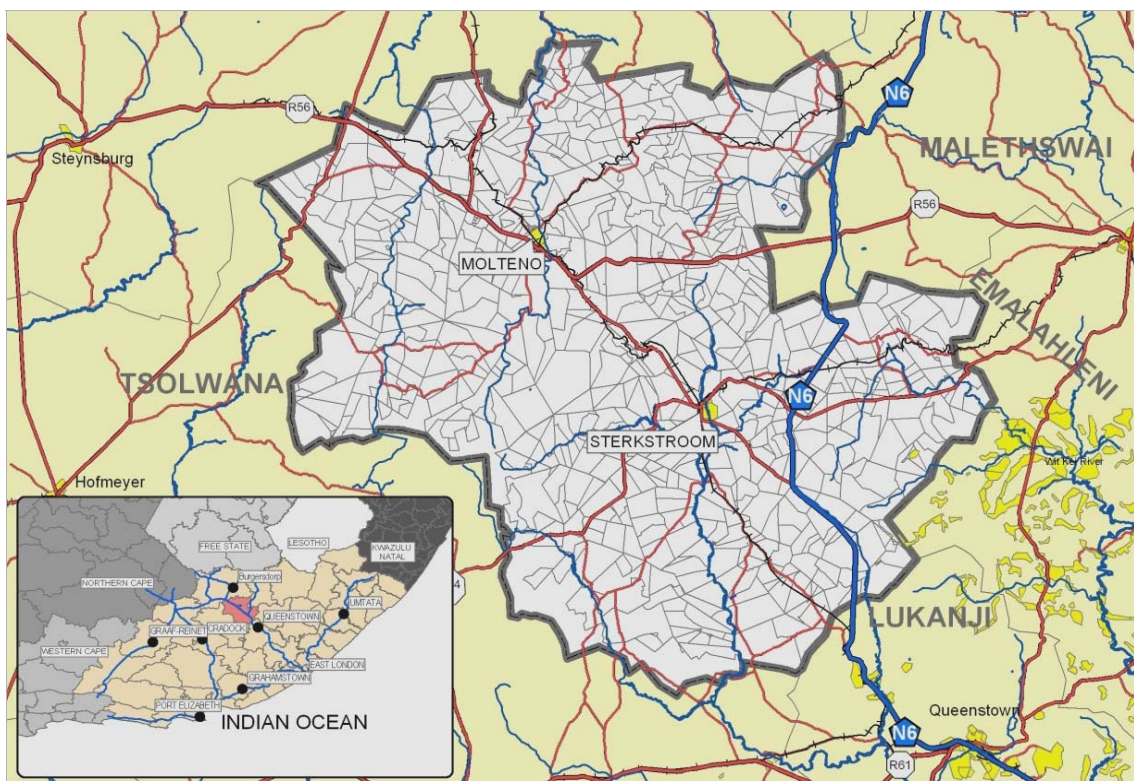
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1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

The Inkwanca Local Municipal is a category B municipality established in terms of Section 12 of the Municipal Structures Act 117 of 1998. The municipality is approximately 3583²km, situated 60km north-west of Queenstown. It comprises of the towns of Molteno and Sterkstroom and the surrounding farming (rural) areas, with Molteno being the administrative seat of the municipality. The residential component of the municipality is mainly concentrated in the two urban nodes:

- **Molteno, including Nomonde, Molteno Town, Nkululeko and Dennekruin**
- **Sterkstroom, including Masakhe, Sterkstroom Town, Sonwabile & Hoffmansville**

The rural surroundings (farm areas) comprise a small portion of the total population in the municipality.



The municipality falls within the Chris Hani District Municipality and is bounded by the Tsoelwana, Gariep, Maletswai, Emalahleni and Lukanji Municipalities. The N6 national road between Bloemfontein and East London play an important link through the municipality. In addition, the R56 route from Petermaritzburg

Chapter 1

runs through Molteno towards Middelburg, is a further important road-link. The area has a rich historical background dating back to the 18th century with a number of monuments and key places of interest. Commercial agriculture is the main economic activity in the municipality.

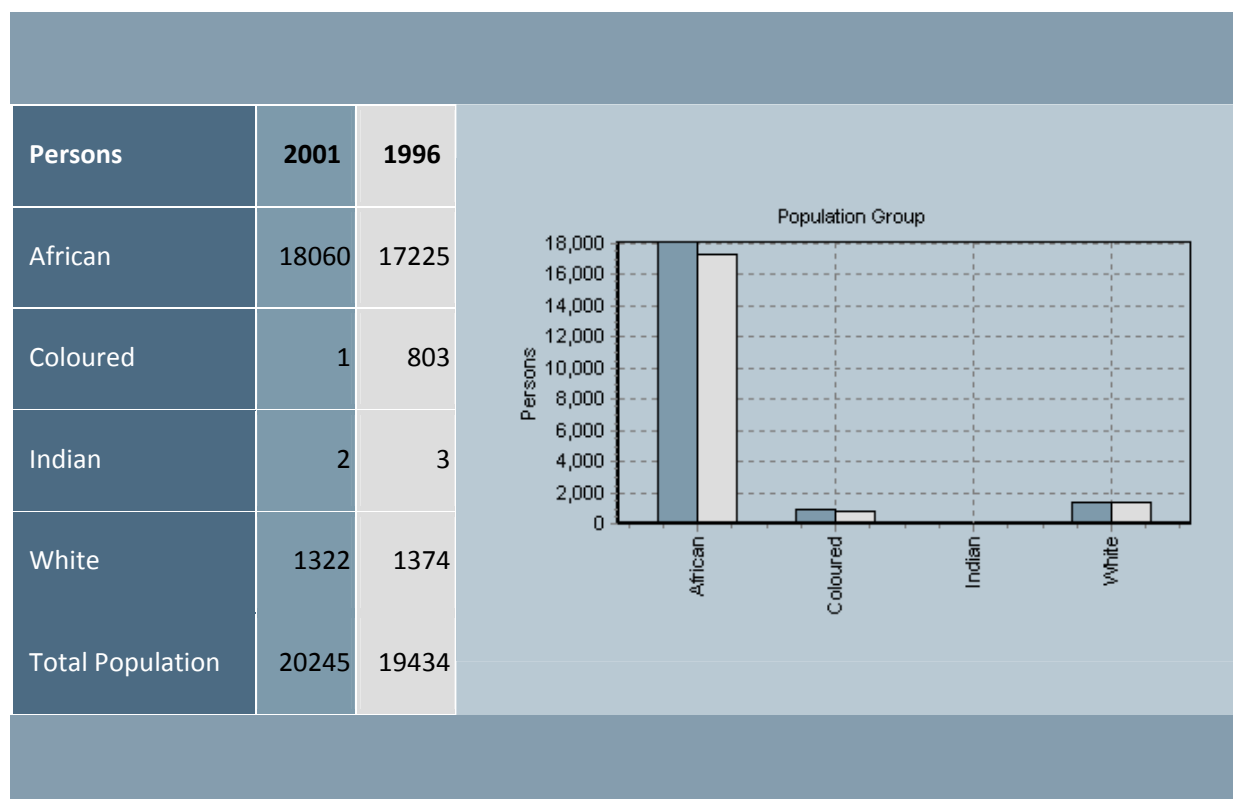
Queenstown urban area plays an important role of being the economic hub of the district; and a number of services for Inkwanca residents are obtained from Queenstown and areas further afield like Bloemfontein and East London.

DEMOGRAPHIC INFORMATION

Settlement dynamics in these areas are characterized by high residential densities in the township areas with the business activity and lower residential densities in the old town areas.

Demographic Data obtained from the Central Statistical Services (Census 2001).

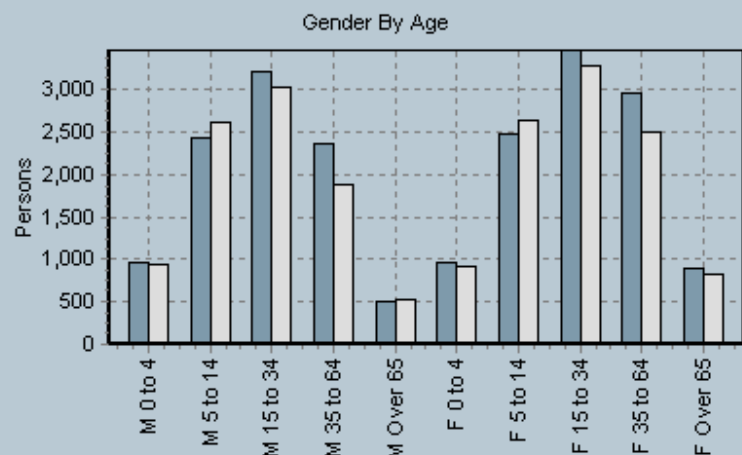
→It is noted that the accuracy of these figures can be debated. However, these figures are used based on consistency and the fact that Government use these figures for grants and subsidy purposes.



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Number of House-holds	Total Popu-lation	African	Coloured	Indian	White
(6622 Municipal Data)	20 247	18060	861	3	1322

Persons	2001	1996
Males - 0 to 4	957	935
Males - 5 to 14	2438	2624
Males - 15 to 34	3218	3018
Males - 35 to 64	2363	1876
Males - Over 65	501	530
Females - 0 to 4	959	922
Females - 5 to 14	2488	2634
Females - 15 to 34	3464	3278
Females - 35 to 64	2963	2502

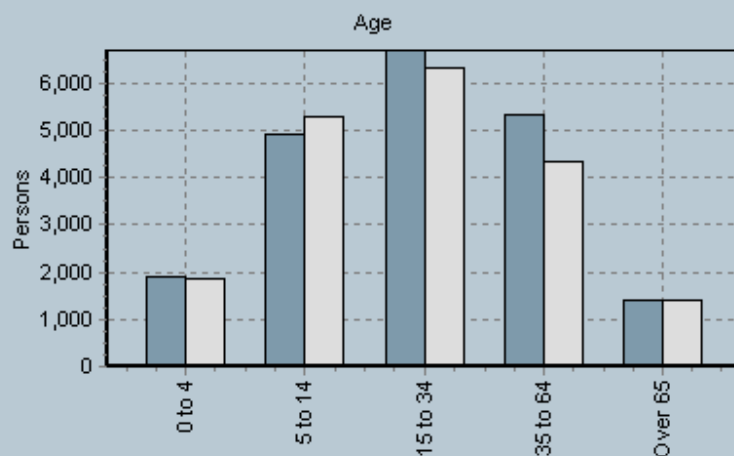


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Females - Over 65	893	828
Males - Total	9477	8983
Females - Total	1076 7	1016 4

Age

Persons	2001	1996
0 to 4	1915	1858
5 to 14	4927	5265
15 to 34	6682	6323
35 to 64	5326	4335
Over 65	1394	1401



Chapter 1

□ Population/Age

Age	Rural	Molteno Town	Nomonde+Nkululeko	Masakhe+Sonwabile	Sterkstroom Town	Total
0-9	813	277	1786	1131	119	4127
10-19	552	400	2437	1542	219	5151
20-64	1908	803	4030	2422	417	9580
56+	135	177	563	430	85	1389
Total	3408	1657	8817	5525	840	20247

- Approximately 50% of the population is within the economic active group, aged 20 – 64.
- 17% of the population lives in the rural area, indicating high level of urbanization.
- Molteno has the greatest population concentration, comprising approximately 50% of the total population or 10474

□ Family Composition

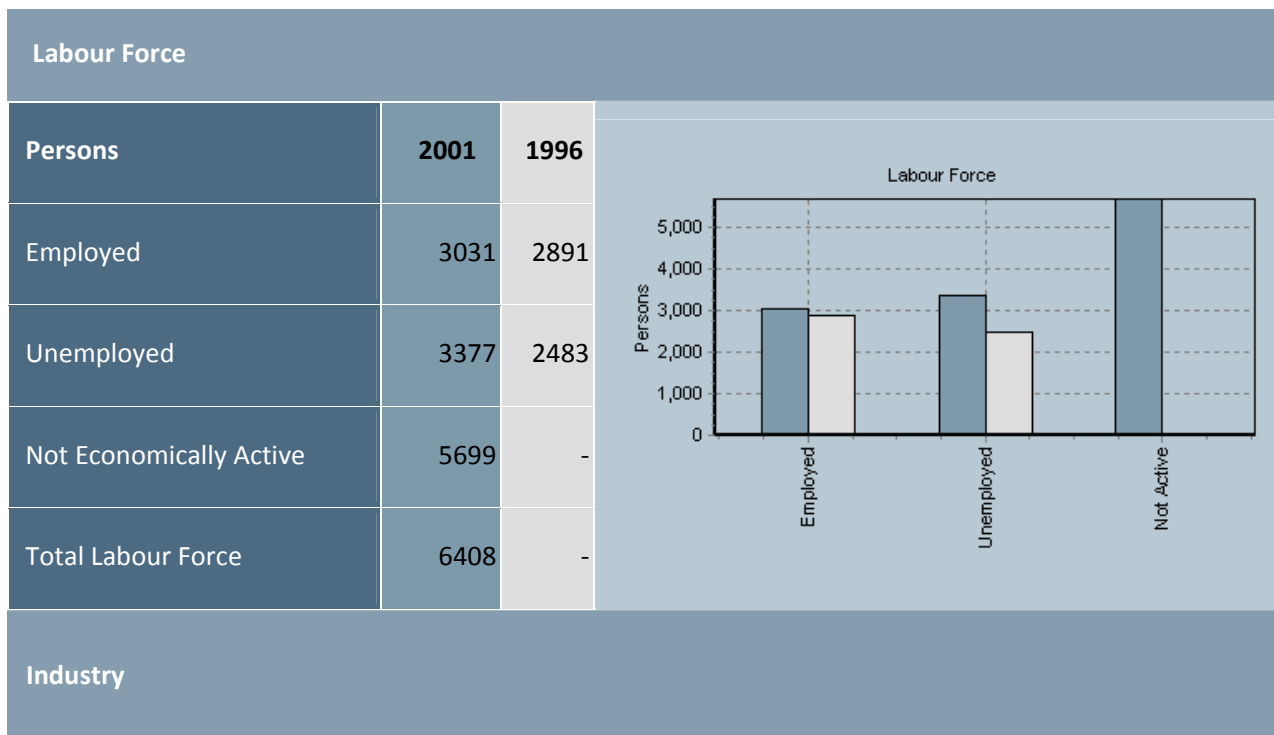
AREA	Families	Population
Rural	1148	3408
Molteno	2569	10474
Sterkstroom	1758	6365
Total	5475	20247

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- Total of 5475 families reside in the municipality.
- This constitutes an average family size of approximately 4 persons.
- Molteno represents the highest family sizes in the municipality with the rural area the lowest at approximately 3 persons per household.
- Population distribution between the urban and rural area clearly demonstrates high level of urbanization and high level of commercial farming activities.

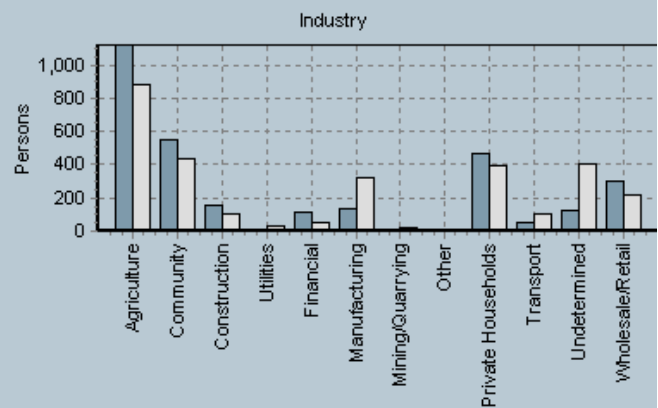
1.4 SOCIO-ECONOMIC INFORMATION

Employment



Chapter 1

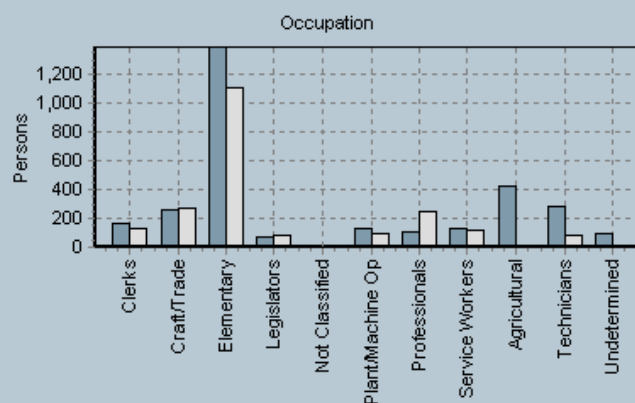
Persons	2001	1996
Agriculture/Forestry/Fishing	1120	88
Community/Social/Personal	551	43
Construction	156	10
Electricity/Gas/Water	7	2
Financial/Insurance/Real Estate/Business	110	5
Manufacturing	137	31
Mining/Quarrying	6	1
Other	0	
Private Households	466	39
Transport/Storage/Communication	49	10
Undetermined	122	40
Wholesale/Retail	303	21



Occupation

Chapter 1

Persons	2001	1996
Clerks	169	130
Craft/Trade	252	275
Elementary	1383	1106
Legislators/Senior Officials	69	85
Unspecified/Not Economically Classified	0	-
Plant/Machine Operators	127	95
Professionals	105	247
Service Workers	134	115
Agricultural/Fishery	421	-
Technicians	279	78
Undetermined	95	-



Chapter 1

Status	Total
Employment	3057
Unemployment	4242
Home-maker or housewife	316
Unable to work due to illness or disability	731
Does not choose to work	543
Not applicable (younger than 15 and older than 65)	11357
Total	20245

Economic Sector

	Total %
Agriculture, hunting; forestry and fishing	39.2
Manufacturing	4.4
Construction	5.3
Wholesale and retail trade	11.2
Transport, storage and communication	1,4
Financial, insurance, real estate and business services	3.6
Community, social and personal services	17,9

Chapter 1

Other	2,0
Private households	15,0
Total	100

- Agriculture and hunting represents by far the biggest sector and employer in the municipal area.
- Community, social and personal services second highest employer.
- High level of employment in agriculture industry demonstrates vulnerability of the municipal economy, with specific reference to droughts and impacts on the commercial farming industry.

Income (Annual/Household)

No Income	R1 – R9 600	R9 601 – R38 400	> R38 401	Grand Total
1,127	2,324	1,518	508	5,477

- 20% of families have no income.
- 62% of families have no income or an income below R10 000 per annum.
- The economic analysis indicates high levels of dependency on subsidies and possible subsistence farming initiatives.
- Low economic growth and high levels of unemployment increase dependants on state funded projects, with specific reference to housing.

Chapter 2

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

POLITICAL GOVERNANCE STRUCTURES

Governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Mayor. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, councilors are also actively involved in community work and the various social programmes in the municipal area.

Up until May 2011, the Council comprises of only 6 elected Councilors, all come from Proportional Representation (PR). Due to the size of the council and number of councilors, there are no portfolio committees or any section 79 committee for that matter. After May 2011 Local Government elections, the number of councilors increased from 6 to 7 and the municipality graduated from being a municipality without wards to the one with four (4) wards.

Chapter 2

The party and gender representation in the Council is represented by the table below:

COUNCIL:

Name of councilor	Capacity	Gender	Political Party	Ward/ PR
MTHANDAZO NICHOLAS QAMNGWANA	MAYOR & FINANCE	MALE		PR
CHRISTINA MAGDELENA BOTHA	MPAC	FEMALE		PR
CRAWFORD HEROLD GUDA	MPAC	MALE		PR
KEM JOSEPH JONGA	COMMUNITY SERVICES & LED	MALE		WARD 1
NOMBULELO YALIWE	Special Programmes	FEMALE		WARD 2
NTSIKELELO NICHOLAS CWEBI	TECHNICAL SERVICES	MALE		WARD 3
XOLISWA GLADYS MKHUBUKELI-LUFELE	Administration	FEMALE		WARD 4

Chapter 2



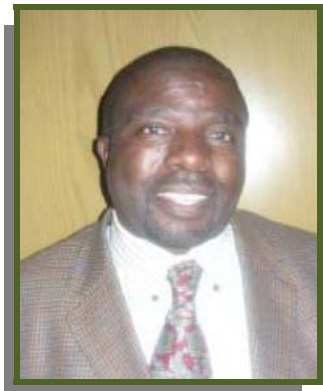
Mayor: Cllr MN Qamngwana ANC (PR)



Cllr M. Botha DA (PR)



Cllr CH Guda Cope (PR)



Cllr KJ Jonga ANC – Ward 1



Cllr N Yaliwe ANC – Ward 2



Cllr NN Cwebi ANC – Ward 3



**Cllr XG Mkhubukeli-Lufele
ANC- Ward 4**

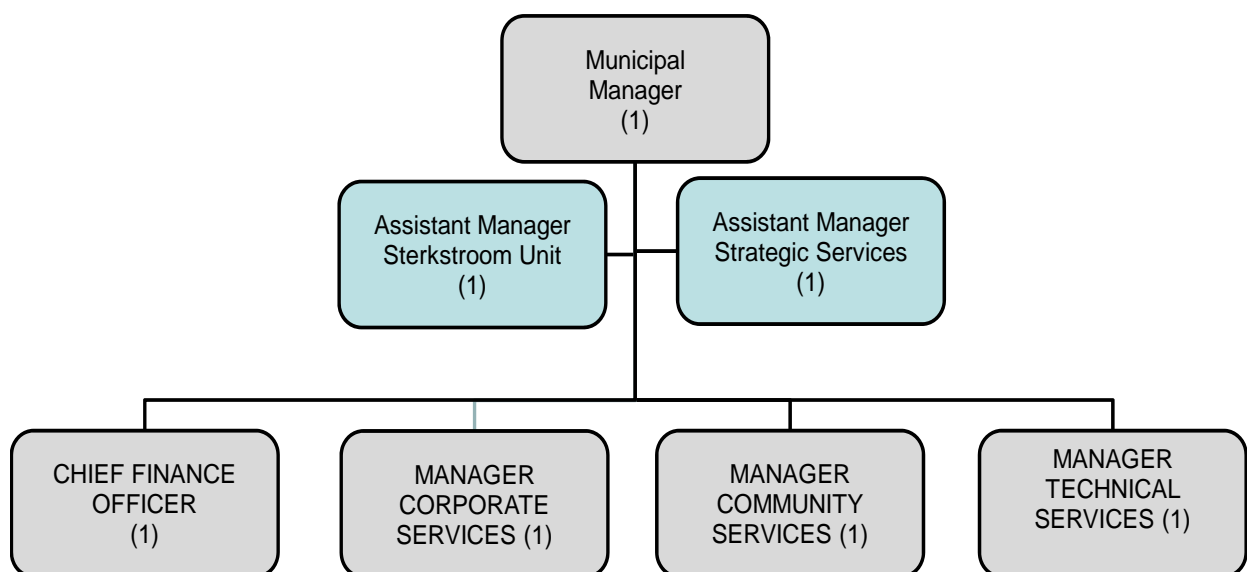
Chapter 2

1.7 ADMINISTRATIVE GOVERNANCE STRUCTURES

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the Management Team, whose structure is outlined in the organ gram below.

INKWANCA LM MANAGENT TEAM

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Chapter 2

Name of sec 57 Official	Department	Performance agreement signed (Yes/No)
NKOSINI NCUBE	MUNICIPAL MANAGER'S OFFICE	YES
ZANELE FOLOSE	FINANCE	YES
MZIWOXOLO DINGANI	COMMUNITY SERVICES	YES
SIMPHIWE DYANTYI	CORPORATE SERVICES	YES
ANELE KOOS	TECHNICAL SERVICES	YES
One (Assistant Managers not Sec 57) • PATRICK PARKER	STERKSTROOM ADMIN UNIT	

Other technical committees

Name of committee: IDP Steering Committee

Name of representative	Capacity	Terms of reference of committee	Meeting dates
NCUBE NA	MUNICIPAL MANAGER	Process Plan adopted by Council on 14 th October 2008	15/10/2010 16/11/2010 04/12/2010 11/02/2011
DINGANI ME	MANAGER: COMMUNITY		
DYANTYI SS	MANAGER : CORPORATE		
FOLOSE Z	CFO		
KOOS A	MANAGER: TECHNICAL		
MMOTSA MA	AREA MANAGER: WSSP		

Chapter 2

Name of committee: BUDGET STEERING COMMITTEE

Name of representative	Capacity/ entity representing	Terms of reference of committee	Meeting dates
Clr ME Yekani	Mayor	1. FINANCIAL TURN AROUND PLAN adopted by Council July 2008 2. AUDIT ACTION PLAN adopted by Council 19 th January 2009	27/01/2011 28/04/2011 07/07/2011
Clr Qamngwana	Councilor		
Mr N A Ncube	Municipal Manager		
Ms Z Folose	CFO		
Mr ME Dingani	Manager		
Mr A Koos	Manager		
Mr S Dyantyi	Manager		

Chapter 2

1.8. PUBLIC ACCOUNTABILITY

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- ❖ the preparation, implementation and review of the IDP;
- ❖ establishment, implementation and review of the performance management system;
- ❖ monitoring and review of the performance, including the outcomes and impact of such performance; and
- ❖ the preparation of the municipal budget

Inkwanca LM is a municipality without wards, in order to enhance public participation we have subdivide the municipal area into eight (8) areas established AREA COMMITTEES.

Area committees

Throughout the entire term from March 2006 to June 2011 the municipality did not have ward committees. In order to enhance and deepen public participation, the municipality had devised internal mechanisms – thus delineating the municipal area into 8 small areas. In each area an **Area Committee** of five(5) members was elected. The Area Committees served the purpose of ward committees. Their work has been to support the Council, receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the municipality constantly strives to ensure that all area committees function optimally with community information provision; convening of meetings; area planning; service delivery; IDP formulation and performance feedback to communities. Area Committees will be replaced by statutory Ward Committees.

Chapter 2



1.8.2 Audit committee

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to –

- ❖ internal financial control;
- ❖ risk management;
- ❖ performance Management; and
- ❖ Effective Governance.

Chapter 2

A) FUNCTIONS OF THE AUDIT COMMITTEE

The Council decided that the Audit Committee will also act as the Performance Committee.

The Audit Committee have the following main functions as prescribed in section 166 (2) (a-e) of the Municipal Finance Management Act, 2003, Local Government Municipal and Performance Management Regulation, 2001 and the office of the Auditor-General:

- To advise the Council on all matters related to compliance and effective governance.
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual DoRA and other applicable legislation.
- Respond to the council on any issues raised by the Auditor-General in the audit report.
- Carry out such investigations into the financial affairs of the municipality as council may request.
- To review the quarterly reports submitted to it by the internal audit.
- To evaluate audit reports pertaining to financial, administrative and technical systems.
- To evaluate the compliance to existing policies and relevant legislation.
- To review the performance management system and make recommendations in this regard to Council.
- To assess whether the performance indicators are sufficient.
- To determine possible reasons for discrepancies between performance and targets.
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimized.
- To review the annual report of the municipality.
- Investigating cases of fraud, misbehavior and conflict of interest involving employees.
- Review the plans of the Internal Audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available.
- Review audit results and action plans implemented by management.
- Provide support to the Internal Audit function.
- Ensure that no restrictions or limitations are placed on the Internal Audit section

Chapter 2

Name of representative	Qualifications	Terms of reference of committee	Meeting dates
Rev IRION	<ul style="list-style-type: none"> •Diploma in Theology (UWC); •Lic Theology (UWC); •Local Govt Finance Certificate (SMMF); •Dev Management Certificate (MAN-COSA); •MBA : MANCOSA 	YES (Signed On 26/08/2008) for the period 2008-2011	26/08/2010
MR ANDRE' DAVID PRETORIUS	<ul style="list-style-type: none"> •B Compt. Hons (UNISA), •Chartered Accountant (SA) 1998. •Registered Auditor & Accountant 1998. 		06/12/2010
MRS ANNIE ELIZABETH de WET	<ul style="list-style-type: none"> •BA (Psychology) •BProc (University of Pretoria) 		04/02/2011
			14/03/2011
			31/08/2011

1.8.3 Internal Audit Unit

Inkwanca Local Municipality has established an internal audit function in terms of section 165 (1) of the Municipal Finance Management Act no 56 of 2003 ("MFMA").

The internal audit function of the Municipality is an independent, objective assurance and consulting activity designed to add value and improve the Municipality's operations. It assists the Municipality to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and effectiveness of risk management, control and governance processes. Such assurance is based on objective information arising from internal audits performed.

Chapter 2

The specific objectives of internal audit are to:

- Provide an independent appraisal function to examine and evaluate the Municipality's activities as a value added service.
- Review the adequacy and effectiveness of systems of control, governance and risk management

Assist members of the Municipality in the effective discharge of their duties and responsibilities via its reviews, reporting and recommendations.

- Provide analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.
- Promote effective control at reasonable cost.

Below are the functions of the Internal Audit Unit that was performed during the financial year under review:

- Income and Debtors
- Budget control
- Fixed assets
- General computer controls
- Human resources
- Integrated Development Planning
- Treasury
- Spatial and infrastructure planning
- Follow up on external audit findings of prior year

Chapter 2

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The municipality was established in terms of section 12 of Local Government Municipal Structures Act 117 Of 1998 and the notice of establishment was issued thereof. The council consists of 6 Councillors including the Speaker who became fulltime since August 2006 (in terms of section 36(1) (5) of the Local Government Municipal Structures Act, the Speaker who is also called the Mayor, the functions normal performed by the mayor are delegated to the Speaker who is also called the Mayor). In a nutshell his functions can be summarised as:

- Provision of political guidance over the fiscal and financial affairs of the municipality;
- Monitoring and oversee expenditure and revenue collection.
- Reporting regularly to the council on the financial state of affairs of municipality,
- Ensures that the municipality performs its constitutional and statutory functions.
- Perform the other duties assigned by the council or in terms of this Act to the councilor for financial matters.
- Performs specific functions as detailed in Sections 53 to 56 of MFMA.

Inkwanca is a category B municipality with a plenary executive system. This means the council operates as one unit, there are no sub-committees or portfolio committees. Because of the number councillors and it has been fairly easy to meet, reach decisions and to take Council Resolutions. In the past year the Council met 13 times.

There are seven (7) councillors in the municipality including the mayor who is also the speaker, due to the plenary kind of the municipality.

Chapter 2

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

The political governance of Inkwanca local municipality, as the plenary type of municipality. The Council comprises of only seven (7) elected Councilors, two of them come from Proportional Representation (PR). Due to the size of the council and number of councilors, there are no portfolio committees or any section 79 committee for that matter. There is an audit committee which was established and one of its functions is to provide comments on audit report and advice on financial related matters and also provide recommendations on the annual report. There is also an oversight committee which consists of the following councilors which are non executive, one of its functions is to provide comments to the council on annual report.

Oversight committee members

- ✓ Clr Christina Botha (Chairperson)
- ✓ Clr Kem Jonga
- ✓ Clr Ntsikelelo Cwebi
- ✓ Clr Crawford Guda

The oversight committee report will be published separately in conjunction with Municipal Financial Management Act of 2003.

Chapter 2



POLITICAL STRUCTURE

MAYOR / SPEAKER

Clr Mthandazo Qamgwana

Function

Provision of political guidance over the fiscal and financial affairs of the municipality;

Monitoring and oversee expenditure and revenue collection.

Reporting regularly to the council on the financial state of affairs of municipality,

Ensures that the municipality performs its constitutional and statutory functions. Perform the other duties assigned by the council or in terms of this Act to the councilor for financial matters.



CHIEF WHIP

Clr Xoliswa Mkhubukeli Lufele

The eye of her political party in council, and monitoring personnel of the implementation of council resolutions.

COUNCILLORS

Chapter 2

This Municipality Inkwanca Local Municipality consist of seven (7) councilors, inclusive of four (4) ward councilors and two proportional representative councilors and the Mayor who is also the speaker. The speaker is fulltime and the other four (4) ward councilors are responsible for their respective wards. Proportional appointed ward councilors do not have wards allocated to them, wards represented by councilors and their political affiliation will reflect below. **COUNCILORS COMMITTEE ALOCATED AND COUNCILORS ATTENDANCE**

Council Members	Full time/part time	Committees Allocated	Ward and or party represented	Percentage council meetings attendance %	Percentage apologies for non attendance %
Mthandazo Qamgwana	Full time	Finance	ANC	100 %	0 %
Kem Joseph Jonga	Part time	Oversight committee	Ward one (ANC)	100%	0%
Nombulelo Yaliwe	Part time	n/a	Ward two (ANC)	100%	0%
Ntsikelelo Cwebi	Part time	Oversight committee	Ward Three (ANC)	100%	0%
Mkhubukeli Lufele	Part time	n/a	Ward four (ANC)	100%	0%
Christina Botha	Part time	Oversight committee	No ward allocated (DA)	100%	0%
Crawford Guda	Part time	Oversight committee	No ward allocated	100%	0%

Chapter 2

POLITICAL DECISION-TAKING

This is the plenary type of municipality; all decisions are taken in a council meeting, which consists of councilors and the municipal manager. The council meeting has to reach the quorum which constitutes 50 plus 1. In terms of the percentage rate the implementation of council resolutions rate 98% due to the fact that other resolutions have wait for other processes to unfold, e.g. Traffic area: the pilot of learner's driver project to be expanded. That has to wait for budget adjustment.

Council Resolutions 2010/2011

RESOLUTION	RESPONSIBILITY	DATE	DONE		COMMENTS
Retirement- All posts affected by council resolution on early retirement to be freezed while a decision is pending from the CCMA.				x	Done - no appointment made
Essential Services- Council resolved that the manager to engage with all unions regarding essential services workers during strikes, taking into consideration the positions deemed as essential services from each department. Said negotiations to be completed by 31 st December 2011.			x		Done
No work No pay – The deductions for the employees would be done at the end of October 2011 over a period of three months.			x		Done
Staff institutional development – All employees receiving training while in service must sign prior to enrollment a three year contract with the municipality.					

Chapter 2

Job Evaluation – The manager to submit a detailed report on the affected changes on the job evaluation that was done on 21 positions listed as well as the financial implication to the council.			x		Done detailed report will be submitted in the next ordinary Council
Council approves the Fleet Management (AMENDMENT) Policy, the Street Naming and Re-naming Policy and the Building Regulation By-law.					
The manager to do a skills audit report.			x		Done
					Partially Done Legal Officer is handling matter
Budget and Treasury Office – The debtor's clerk for Molteno needs to be recruited urgently.			x		Done detailed report will be submitted in the next Ordinary Council Meeting
Land & Building – An immediate land & property audit to be executed by the relevant manager pertaining to all municipal owned properties including de-populated plots.					partially achieved detailed report will be submitted in the next ordinary Council
Building control – All payments for building applications to be done upfront after which the municipality will decide on an approval.					Noted

Chapter 2

Community Facilities – Public facilities must be maintained properly because it is accessible for the public at a cost to them. All chairs at community halls must be assessed and replaced if necessary.					partially achieved no maintenance done due to financial constraints
Focus Area: Traffic Services – If finance permits the learner driver pilot project to be expanded.					Noted and will be done after adjustment budget
Masakhe Community Hall – The manager to correspond with Vuba Imaginers with the contractor to supply the close out report, failing to do so steps will be taken within 14 days the contract will be terminated.	Mr koos		x		report completed and termination letter given to the Contractor
A report must be given to council regarding to the financial implications on buying roads maintenance machinery and also specifically list the machinery needed.			x		report will be submitted to the next ordinary Council
There must be road signs on the way to Sokoyi Bridge					Done
Erf 537- The manager to service Erf 537 before 30 November 2011.					In progress goods are currently procured in CHDM and the deadline has been extended to 31 Dec 2011.

Chapter 2

2.2 ADMINISTRATIVE GOVERNANCE

TOP ADMINISTRATIVE STRUCTURE	
TIER 1 MUNICIPAL MANAGER Nkosini.Andries Ncube THERE IS NO DEPUTY MUNICIPAL MANAGER	Function Municipal Administration, IDP, Performance Management, Risk Management, Communication & Liason, Strategic Services, Accounting Officer functions
EXECUTIVE DIRECTOR/ MANAGERS Mziwoxolo Dingani DIRECTOR: Community Services Manager	Cleansing and solid waste management, Cemeteries. Public Amenities, Traffic Services, Library Services
Simphiwe Dyantyi DIRECTOR: Corporate Services Manager	Committee Secretarial Services, Records & Archives, IT Systems & Control, Personnel Administration, Recruit & Selection, Training & Development, Labour Relations & PMS

Chapter 2

Anele Koos
Director: Technical Services Manager

Roads & Storm water Construction, Building Inspectorate, Land Usage, Spatial Planning, Maintenance, Electricity Reticulation, Project & Contract Management, Water and sanitation Services (Reticulation, Treatment, quality & Plumbing) & GIS.

Zanele Folose
Director: Chief Financial Officer

Supply Chain Management, Budget and Treasury, Expenditure Management, Asset Management, Revenue Management

Note: * denotes officials on fixed term performance contracts reporting to the Municipal Manager under the Municipal Systems Act Section 57.

T2.2.2

Chapter 2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

The municipality has got good intergovernmental relations with various departments. The Department of Public Works has committed itself on EPWP programme which has employed more than 100 of unemployed citizens. Agriculture and rural development has assisted local farmers to expand in terms of farming. This department has assisted them to get farming material, this significant assistance has assisted a lot in terms of service delivery.

Note: MSA S3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution S41.

T 2.3.0

Chapter 2

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

The municipality is not participating that much in national forums, except its participation in SALGA which assist in terms of capacitating Municipal Councilors.

T2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The municipality is engaged into provincial IDP assistance in terms of workshops organized by the province. The municipality has got meetings held with all Chris Hani District municipalities for the establishment of Performance management system forum. Also the Municipality is working with Intsika Yethu Municipality with relates to Audit committee issues. The provincial intergovernmental structures relations with the municipality are very effective on the side of capacitating the municipal employees.

T2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipal is interacting with all stakeholders when it comes to decision making processes in particular on the issues that directly affect members of the public. There are ward committees which have been established after May 2011 (LGE). The ward committees played a pivotal role in terms of contributions on decision making, taking into cognizance the views of the wards which they represent.

T2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

There are good relations within the district municipalities, Chris Hani District Municipality continues to coordinate the local municipalities and ensure their participation in district programmes. The municipality benefits from the forums coordinated by Chris Hani District Municipality. The municipality is able to share ideas with other municipalities through district municipal managers forum and District mayoral forums.

T2.3.4

Chapter 2

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the MSA refers specifically to the development of a culture of community participation within

Municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this

Purpose it must encourage and create conditions for the local community to participate in the affairs of the

Community. Such participation is required in terms of:

- ❖ the preparation, implementation and review of the IDP;
- ❖ establishment, implementation and review of the performance management system;
- ❖ monitoring and review of the performance, including the outcomes and impact of such performance; and
- ❖ the preparation of the municipal budget

Inkwanca LM is a municipality with four wards, in order to enhance public participation we convene the wards and we have four ward committees. The municipality meets with all stakeholders in the form of IDP REP FORUM Meeting and community imbizo to table reports and municipal performance and disclosure financials. In that particular process community members are afforded an opportunity to participate in the affairs on the municipality.

T 2.4.0

Chapter 2

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The municipality is calling imbizo and IDP Rep Forums, the municipality has also produced an Inkwanca news latter which is written in English and Xhosa for the benefit of the community members, the news latter is issued quarterly. The meetings convened by the municipality are meetings to give progress report on the demand of the community members, to shape the priorities, projects and objectives of the municipality, in some of the meetings attendance is a challenge, the attendance range around 51-55% all stakeholders do attend, NGO's, Political and government departments. The notices are put on notice boards and published properly. The following are the issues raised by the community members and the progress update in terms of response.

Main issued raised by community	Issue addressed (Yes/No)	Feedback provid- ed (Yes/No)
Shortage of Water in entire Masakhe	Yes	Yes
Water from Carnavon Estates is of poor quality	Yes	Yes
Houses at Sonwabile with no occupants	No	Yes
7 Households in Zola area never had access to electricity	Partly	Yes
High mast light in Zwelitsha section has been out of order for some time	Yes	Yes
Livestock roaming around in residential areas	No	Yes
Roads at Sonwabile – (very bad)	No	Yes
All streets in Old Masakhe - very bad condition	No	Yes
People rearing pigs in high density residential areas	Yes	Yes

Chapter 2

Home Affairs offices – Far (IDs, Birth and Death Certificates)	Partly	Yes
Promise of youth centre not yet fulfilled.	No	Yes
Majority of youth unemployed	No	Yes

Area in which Imbizo were held: Nomonde (Molteno)

Date of Imbizo: .11 September 2009

Main issued raised by community	Issue addressed (Yes/No)	Feedback provid- ed (Yes/No)
Sewage spill at Phumlani – 6 households serious affected.	yes	Yes
Roads & all streets very bad condition	partly	Yes
Stormwater problems Phelandaba and Phumlani	Partly	Yes
Street lights at Nkululeko that are not working	Partly	Yes
Street lights in all areas of Nomonde	Partly	Yes
Houses built 1965-1968 that are falling apart	No	Yes
RDP Houses with occupants living in	No	Yes
People selling RDP Houses	partly	Yes
Shoddy workmanship in most of RDP housing projects	No	Yes
Favoritism when hiring municipal workers – casual workers in particular	Yes	Yes

Chapter 2

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RDP Houses with occupants living in	No	Yes
People selling RDP Houses	partly	Yes
Shoddy workmanship in most of RDP housing projects	No	Yes
Favoritism when hiring municipal workers – casual workers in particular	Yes	Yes
People rearing livestock (cattle, goats and pigs) in residential areas	Yes	Yes
Sport field used by 14 teams – very bad condition	No	Yes

Chapter 2

Area in which Imbizo were held: Masakhe (Sterkstroom).

Date of Imbizo: .12 May 2010

Main issued raised by community	Issue addressed (Yes/No)	Feedback provided (Yes/No)
Municipal workers – who drink on duty	Yes	Yes
Employment of people whose names are not on the list.	Yes	Yes
Municipal employment procedures	Yes	Yes
Disaster occurrences – relief to the victims	No	Yes
Dirty water in Masakhe	Yes	Yes
Poor workmanship on Bus route – Masakhe main access road	No	Yes
People living on the banks of Hex River	Yes	Yes
Lights at Masakhe Sportfields	No	Yes
Refuse is not collected as per schedule	Yes	Yes
No Fences on municipal commonage camps	No	Yes
Community Hall require renovations	No	Yes
Municipal restructuring process	Yes	Yes

Chapter 2

The meeting: IDP Rep forum Meeting

Date: .14 January 2011

Main issued raised by community	Issue addressed (Yes/No)	Feedback provided (Yes/No)
Old dilapidated unused buildings		Yes
Street Lights entire Nomonde		Yes
Condition of roads in both Nomonde and Nkululeko		Yes
New Sport field as was promised not realized.		Yes
Houses built in 1965-1968 condition very bad		Yes
RDP Houses with no occupants		Yes
Title Deeds for Mdantsane & Khayelitsha areas		Yes
Lazy municipal employees not collecting refuse		Yes

T2.4.1

Chapter 2

WARD COMMITTEES

The ward committees support the Council who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the municipality constantly strives to ensure that all ward committees function optimally with community information provision; convening of meetings; ward planning; service delivery; IDP formulation and performance feedback to communities.

The ward committee system has dealt with numerous issues that relates to service delivery, that is inclusive of waste management issues, electricity issue and ward committees work directly with their ward councilors and they have resolved issues of roads and storm water and EPWP programme related issues. The following is the list of ward committee members

Ward One

Name	Surname	Contact numbers
1. Nofungile	Matroos	073 9688 237
2. Sizakele	Loliwe	079 7765 091
3. Fundiswa	Wambi	082 6467 775
4. Thembinkosi	Yekani	073 3034 729
5. Nomnikelo	Lubisi	083 4289 257
6. Mawethu	Godlo	084 6820 787
7. Gladys	Ndibi	074 1792 218
8. Lukhaya	Nyeka	083 3300 215
9. Nobuzakubani	Tjantjie	073 6885 484

Chapter 2

WARD 2

Name	Surname	Contact Numbers
1. Nothethi	Malgas	
2. Yoliswa	Mathebe	
3. MacDonald	Paylman	
4. Paul	Kruger	
5. Khanyisa	Hamza	
6. Nomawethu	Skutaba	
7. Jessica	Parker	
8. Joyce	Grootboom	
9. Ntuthuzelo	Gagayi	
10. S	Southey	

WARD 3

Chapter 2

Name	Surname	Contact Numbers
1. Nomthandazo	Gadeni	
2. Nolufefe	Mlonyeni	
3. Nomawthu	Monki	
4. Luvuyo	Sizani	
5. Nandipha	Tyokwana	
6. Sandile	Mboso	
7. Mziwakhe	Batyi	
8. Adel	Mlilwana	
9. Nokubonga	Frans	
10. Luleka	Uluwa	

Chapter 2

WARD 4

Name	Surname	Contacts
1. Mzamo	Thyala	078 7534 662
2. Sipho	Ndlanga	072 7195 476
3. Nombuyiselo	Weliso	078 6651 055
4. Mantombi	Mankayi	073 0421 702
5. Ntsukumbini	Mamani	073 7557 772
6. Agnes	Yekani	078 6514 630
7. Zolani	Fyn	072 7195 476
8. Thembinkosi	Ngciki	072 3771 152
9. Thembisa	Hoko	
10. Cynthia	Bushula	076 1814 165

Chapter 2

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	T2.5.1

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The public meetings held within the jurisdiction of the Municipality has assisted the Inkwanca local Municipality a lot, in terms of planning and priorities and setting out the municipal strategies and objectives. The members of the public through these public meetings were able to work together with the municipality in realization of public participation and accountability, the municipality has realized and benefited the following,

- Public accountability
- Public involvement
- Access to information, etc.

The members of the public through these meetings have benefited public confidence, through the process of raising issues and afforded an opportunity to speak out and be involved in the planning process of the municipality that is IDP platforms. T2.4.3.1

2.6 RISK MANAGEMENT

Chapter 2

COMPONENT D: CORPORATE GOVERNANCE

RISK MANAGEMENT

In order to identify risk facing Inkwanca municipality, a risk assessment will be performed on an annual basis. This process will be complimented by the specific identification of existing controls to mitigate risks identified. Additional actions to further mitigate these risks will culminate in a risk management plan.

The top risks that the municipality is engaged on includes the following,

- Deviation from supply chain processes
- Interest on tenders by internal staff
- Operating outside the budget and SDBIP
- Non-compliance on IDP KPA's and KPI's
- Fruitless expenditures

T2.6.1

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

Inkwanca will perform specific detection reviews in areas, which are at high risk of unethical conduct, fraud and corruption on a regular basis. This will include the conducting of presentations to employees, including managers, to ensure that they have a more detailed understanding of the risks associated with these areas, thus also enhancing the prospect of detecting irregularities earlier. These include.

- Recruitment of staff
- Procurement, e.g. emergency procurement, sole suppliers, etc
- Housing, e.g. allocation, administration of housing waiting list and
- Financial systems and control, e.g. payment of suppliers, receipt and banking of revenue received.

Chapter 2

The MFMA stipulates that a municipality must maintain a system of internal audit under the control and direction of an audit committee. Inkwanca will create or outsource an internal audit unit which will include anti-corruption capacity under the guidance of an audit committee. The anti-corruption capacity within Inkwanca will be responsible for investigation of allegations.

T2.7.1

2.9 BY-LAWS

By-Laws Introduced during 2007/8

Newly developed	Revised	Public participation conducted prior to adoption of By-Laws yes/no	Dates of public participation	By-Laws Gazetted Yes/No	Date of Publication
Keeping of animals	no	Yes	21/05/2007	Yes	12/09/2008
Street trading	no	Yes	07/11/2006	yes	31/01/2007
Public cemeteries	no	Yes	07/11/2006	Yes	31/01/2007

COMMENT ON BY-LAWS:

The by-laws were published for public comment, when that particular process was complete they were then collated with the comments of the public and taken to the council for adoption. The aforementioned by-laws will be enforced using Municipal traffic officers as the law enforcers of the municipality in particular on the side of by-laws and so forth. The council is authorised by the municipal systems act to pass and implement by-laws for the betterment of the community.

T2.9.1.1

2.10 WEBSITES

Chapter 2

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The website of the Municipality is under construction. Therefore that means the municipality doesn't have a website, we must admit that there is a delay to sort out this matter, it is due to lack of financial resources, however website development is now on the top of municipal priorities.

T2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION LEVELS

The community satisfaction survey which was conducted February 2011, at Inkwanca Municipal area, in a sample of 310 households which is equal to 5% of the population. This extensive initiative was done in line with fundamental objectives which include the following two, **to provide quality and affordable services to all communities of Inkwanca** and **to ensure good governance within the municipality (transparency, public accountability, access to information, administrative justice and responsiveness to your complaints.** The following are the areas of focus.

- Trading services
- Sanitation
- Electricity
- Residential streets, roads, sidewalks and payment
- Storm water
- Complaints regarding trading services
- Community services: refuse removal
- Municipal parks and playgrounds
- Community halls and libraries
- Municipal sports fields
- Complaints regarding community services development planning services,
- Traffic services
- Building plans and land use applications
- Economic development
- Municipal facilities
- Accounts

Communication

Chapter 2

The community still has faith and trust in this institution, they expressly states that they come a long way with this municipality. This municipality has been at the centre of service delivery, now is no longer moving rapidly. The community members request strongly involvement in decisions making processes in particular those that concerns the public.

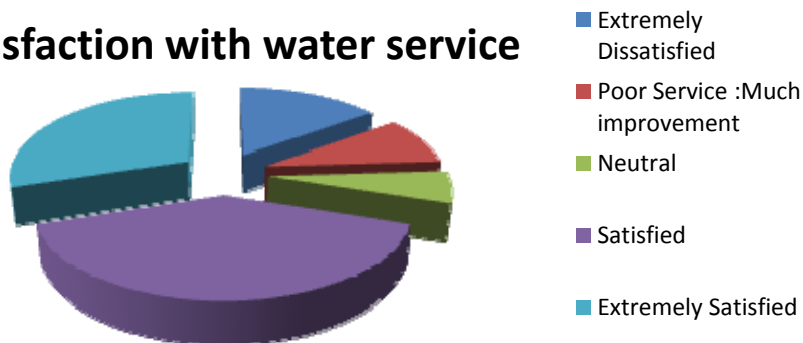
T2.11.1

Satisfaction Surveys Undertaken during 2007/08 and 2008/09				
Subject matter of survey	Survey method	Survey date	No of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:				
(a) Municipality	Questionnaire	3/02/2011	310	75%
(b) Municipal Service Delivery	Questionnaire	3/02/2011	310	75%
(c) Mayor	Mayoral outreach	7/08/2011	500	60%
Satisfaction with:				
(a) Refuse Collection	Questionnaire	3/02/2011	310	65%
(b) Road Maintenance	Questionnaire	3/02/2011	310	35%
(c) Electricity Supply	Questionnaire	3/02/2011	310	30%
(d) Water Supply	Questionnaire	3/02/2011	310	55%
(e) Sanitation	Questionnaire	3/02/2011	310	56%
(f) Information supplied by municipality to the public	News latter	15/12/2012	Community general	80%
(g) Opportunities for consultation on municipal affairs	Imbizo/IDP forums	29/09/2011	200	56%

SATISFACTIO WITHWATER SERVICES

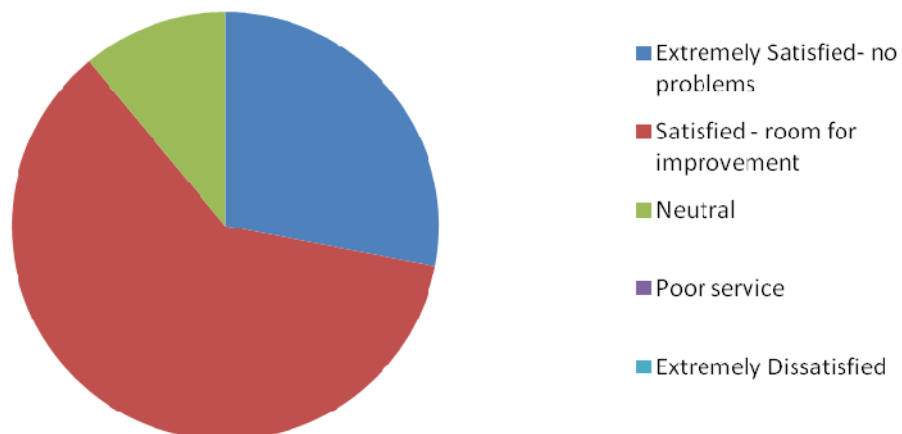
Chapter 2

Satisfaction with water service



SATISFACTION WITH ELECTRICITY

Satisfaction with Electricity supply by the municipality



COMMENT ON SATISFACTION LEVELS:

The municipality has made priorities based on the needs of the community members complained about in our survey report; on top of that the municipality has established the unit of Monitoring and Evaluation for purposes of improving service delivery.

T2.11.2.1

Chapter 3

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

Note: Recent legislation includes the Water Services Act 1997 and the General Enabling Act 2005

Currently the demand is more than supply due to the increase in population as well as house holds. The current supply system was never upgraded when our communities moved from bucket system to water borne system. However To try and keep our resevoirs to capacity we have been reducing the flow at night between 23H00 to 04H00.

We have also repaired most of the leaks in our areas as they were contributing to water losses on our network causing the demand to be higher.

The water demand management programme was drawn during the year also to assist in monitoring of were water is lost.

Our communities are getting the first 6 kilo liters per month for free of charge as well as those that are registered in our data base are getting treated water for even if they exceed the first 6 kilo liters.

All house holds have access to basic sanitation services as a matter of fact 100 % house holds are using a water borne system with 12 house holds that are sharing 4 toilets and 9 house holds using septic tanks.

We have to date upgraded 748 m sewer pipe at Phumulani Township which has drastically reduced the spillagies as well the two main pump Station that were always tripping due to solid materials .

We are in the process of finishing the servicing of the Erf 537, most materials are in place axcept for few tha are in the procument stage.

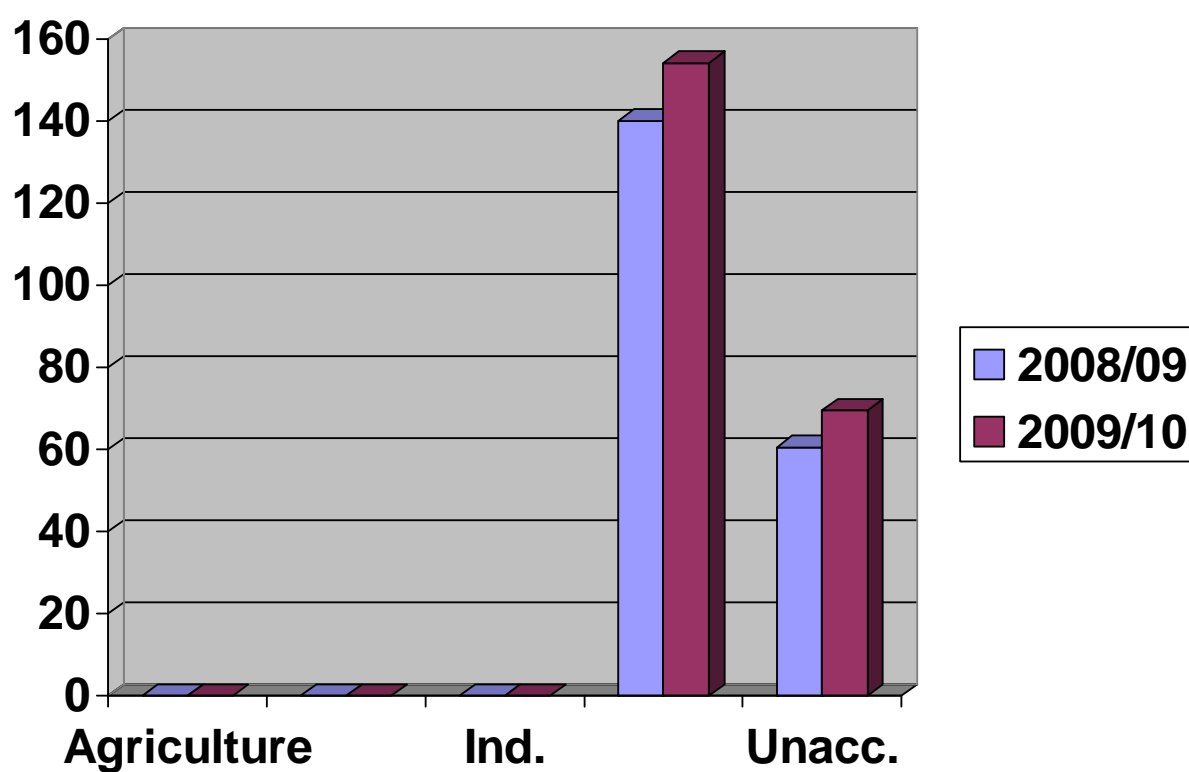
T3.1.1

Chapter 3

Total use of water

	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2008/09	0	0	0	140.14	60.52
2009/10	0	0	0	154.05	69.35

Water Used by Sectors



T3.1.2.1

Chapter 3

COMMENT ON WATER USE BY SECTOR:

Judging from the above trends, if the above does not change we might have to delay all the developments in the area until such time our water supply system is upgraded.

T3.1.2.2

HOUSE HOLDS

Description	2007/08	2008/09	2009/10
	Actual	Actual	Actual
Water (above min level)			
Piped water inside dwelling	1070	1070	1070
Piped water inside the yard (not in the dwelling)	4952	4952	4952
Using public tap (stand pipes)	0	0	0
Other water supply (within 200 m)	0	0	0
Minimum service level and above sub total	6022	6022	6022
Minimum service level and above percentage	100 %	100 %	100 %
Water (below min level)			
Using public tap (200 m from dwelling)	0	0	0
Other water supply (within 200 m)	0	0	0

Chapter 3

No water supply	0	0	0
Minimum service level and above sub total	0	0	0
Minimum service level and above percentage	0	0	0
Total number of house holds	6022	6022	6022
Total including informal settlement	6022	6022	6022

HOUSE HOLDS BELOW MINIMUM SERVICE LEVEL

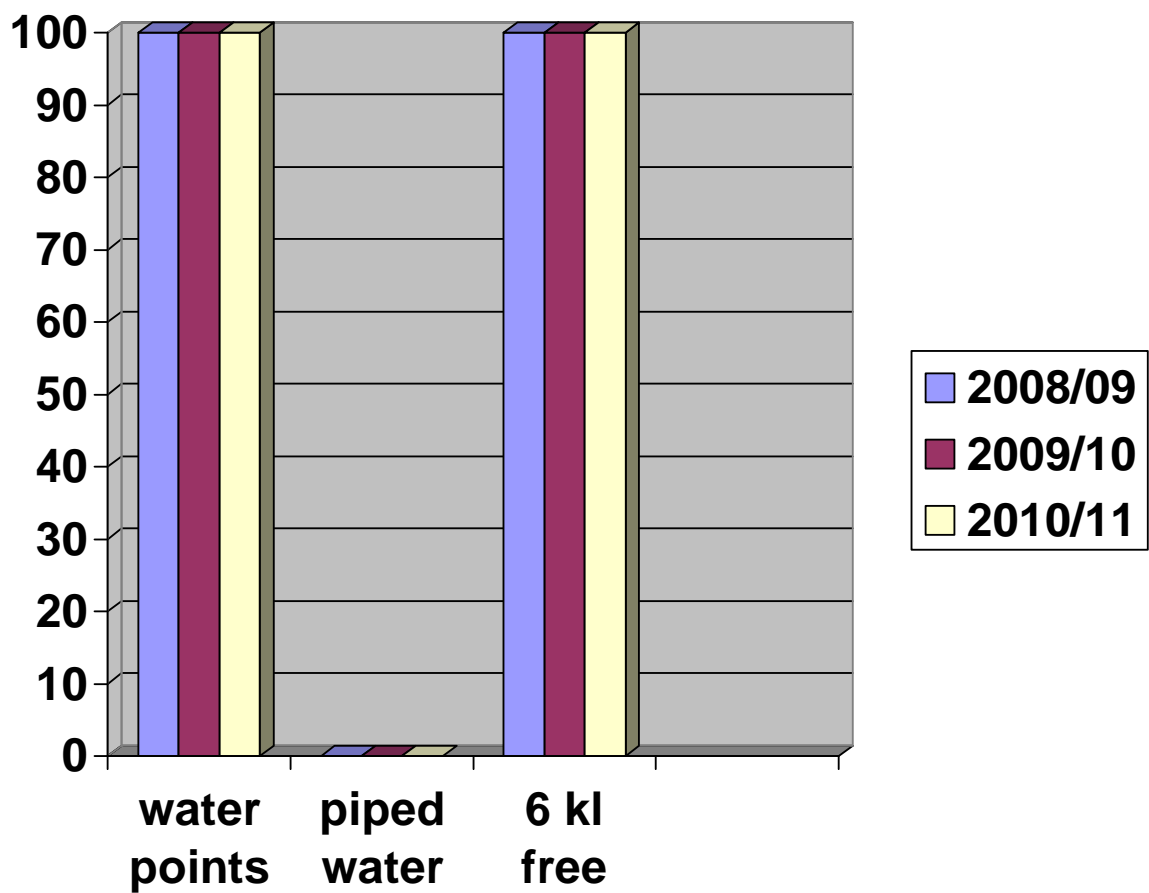
Description	2007/08	2008/09	2009/10	2010/11		
	Actual no.	Actual no.	Actual no.	Original budget no.	Adjusted budget no.	Actual no.
Formal settlements						
Total number house holds	0	0	0	0	0	0
Households below minimum service levels	0	0	0	0	0	0
Proportion of households below minimum service level	0	0	0	0	0	0
Informal settlements						

Chapter 3

Total number house holds	0	0	0	0	0	0
House-holds below minimum service levels	0	0	0	0	0	0
Proportion of house-holds below minimum service level	0	0	0	0	0	0

ACCESS TO WATER

Chapter 3



* Means access to 25 liters of potable water per day supplied within 200m of a household and with a minimum flow of 10 liters per minute

Chapter 3

Water services policy objectives taken from IDP

Service objectives/ Service Indicators	Out lined service targets	2007/08		2008/09			2010	2012/13	
		Target	Actual	Target		Actual	target		
		Previous year		Previous year	Current year		Current year	Current year	Following year
House Holds without minimum supply	Additional house-holds provided with minimum water supply during the year (number of house-holds (hhs) without water supply at year end.	0 (1127)	0 (1127)	0 (1127)	0 (1127)	0 (1127)	0 (1127)	500 (627)	627 (0)
Improved reliability of supply	Reduce the number of interruptions in supply of one hour or more compared to the base line of 2007/08	50 % (175)	50 % (175)	50 % (175)	50 % (175)	65 % (127)	70 % (109)	80 % (73)	90 % (36)
Improved water connection	Reduce uncountable water levels compared to the base line of 2007/08					43 % (60.52)	45 % (69.35)	30 % (36.21)	20 % (30.81)

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Employee: Water Service & Sanitation

Job Level	2009/10	2010/11			
	Employees no.	Post no.	Employees	Vacancies (full time equivalent) no.	Vacancies (as % of total posts)
0-3	1	1	1	0	0 %
4-6	3	3	3	0	0 %
7-9	3	3	3	0	0 %
10-12	2	2	2	0	0 %
13-15	17	17	17	0	0 %

Financial Performance 2010/11: Water & Sanitation service

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Details	2009/10	2010/11			
	Actual	Original Budget	Adjusted budget	Actual	Variance to Budget
Total Operation Revue (excluding tarrifs)	6 089 558.23	6 084 750.00	6 084 750.00	6 672 569.45	8 %
Expenditure:					
Employees	2 083 814.00	2 999 415.00	2 999 415.00	2 325 606.17	-28 %
Repairs and Maintenance	859 902.00	2 256 804.00	2 256 804.00	2 470 211.00	8 %
Other	1 160 922.00	1 44 8 993.00	1 44 8 993.00	1 422 938.00	- 1 %
Total Operation Expendi- ture	4 104 638.00	6 705 212.00	6 705 212.00	6 218 755.00	- 7 %
Net Operation (service) Expenditure	1 984 920.00	(620 462.00)	(620 462.00)	453 814.30	200 %

Capital Expenditure 2010/11

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Electricity Service

Capital Projects	2010/11				
	Budget	Adjusted budget	Actual Expenditure	Variance from original budget	Total Project Value
Total for all project					
Street lighting project for Molteno.	R4 500 000.00	R4 500 000.00	R3 100 000.00	R 1 400 000.00	R 4 500 000.00

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

Currently there is no capital project planned and no variances from capital and operational expenditure . There is only one target for electricity provision that is on the current IDP which is the street lighting project for Molteno and Sterkstroom. This project will ensure that there appropriate lighting within some of the dark places within the municipality area of supply as well as Eskom areas.

There is an agreement between the municipality and Eskom that give a permission for the municipality to operate on Eskom network only on the street lights that are on Eskom areas.

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ELECTRICITY

INTRODUCTION TO ELECTRICITY

Note: Recent legislation includes the Electricity Amendment Acts 1989; 1994; 1995; and the Electricity Regulation Act 2006.

Currently 99 % of our house hold have access to electricity. And 1 % of the house holds is in the Eskom supplied area. From the above percentage out of a total of 6022 house holds at Inkwanca municipality 2435 is supplied by the local municipality and 3590 is Eskom supplied.

Our infrastructure is very old delapidated as a matter of fact it is in need of a major upgrade as it was last upgraded some in the 1980's. This includes the two 11 KV yards between Molteno and Sterkstroom.

To try and adress some of these challenges we have replaced some of the 11 KV accessories like fuses, arestors etc. also we have purified a total number of 6 transformers in the Sterkstroom area and 15 transformers Molteno area out of a total number of 22 that needed to be purified. The 1 transformer that was not purified is in Molteno due to the fact that it was beyond repaires and need to be replaced.

The top 3 service delivery priorities are the following:

1. Purification of the 21 tranformers that reduced the number electrical power dips and power outages to 0 %.
2. The protection of our lines by means of installing ligthing arestors, fuses and insulators that improved power surges and voltage drops.
3. Brush clearing from our lines that prevented damagies to poles, lines, electrical accessories etc.

The municipality together with Eskom is currently giving free basic electricity to a total number of 873 indigent house holds.

T3.3.1

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COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

Currently there is no capital project planned and no variances from capital and operational expenditure . There is only one target for electricity provision that is on the current IDP which is the street lighting project for Molteno and Sterkstroom. This project will ensure that there appropriate lighting within some of the dark places within the municipality area of supply as well as Eskom areas.

There is an agreement between the municipality and Eskom that give a permission for the municipality to operate on Eskom network only on the street lights that are on Eskom areas.

T3.3.9

3.4 WASTE MANAGEMENT THIS SECTION INCLUDES: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING

2.5 Waste management

a. Waste management services delivery strategy and main role-players

The South African Constitution (Act 108 of 1996) states that the people of South Africa have the right to an environment that is not detrimental to human health, and imposes a duty on the state to promulgate and to implement policies to ensure that this right is upheld. All departments of state or administration in national, provincial or local levels of government have similar obligations.

We must provide for proper and safe disposal of solid waste within the municipality and we must ensure that refuse is removed to create clean and healthy environment for the inhabitants of the Municipality.

It is against this background that Inkwanca Municipality put waste management amongst its top priorities. The Municipality has an Integrated Waste Management Plan that was adopted by the council in 2006 and is reviewed annually in order to meet the new challenges. The Municipality renders this service in the Towns of Molteno and Sterkstroom. The domestic waste is collected on a weekly basis while business waste collection frequency depends on the nature of waste. Organic decomposable waste is collected more frequently, up to five times a week. We have two landfill sites that are permitted. We have managed to close the quarry that was a health hazard at Nkululeko Township. We are currently in a process of closing another quarry at Nomonde in the area called Phelandaba. The Molteno and Sterkstroom CBD's are swept and cleansed on a daily basis by the use of our permanently employed workers. The road reserves and open areas within the residential areas are cleaned weekly. The Municipality provides plastic bags to all indigents for waste collection. We have a staff of 24 permanent general workers. The role players are the Municipality employees and the members of the community. We also get

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assistance from the EPWP employees who assist in cutting the grass along our streets twice a week. Chris Hani District Municipality plays a major role in awareness campaigns and has assisted us with the purchasing of 1500 wheelie bins and a compactor truck.

We have an easy to follow schedule of refuse removal for both town and it is as follows:

Day of the week	Sterkstroom (Area)	Molteno (Area)
Monday	Town	Town/ Dennekruin
Tuesday	Sonwabile	Nomonde
Wednesday	Old Location	Old Location
Thursday	Zwelitsha	Khayelitsha/Phumlani/Phelandaba
Friday	Upper Zwelitsha/Mqeshi/Zola	Nkululeko/Nceduluntu

There are members of the community who have taken an initiative to assist in keeping our towns clean by adopting portions of the land and created mini parks.

b. Level and standards in waste management services

The waste generated at Molteno and Sterkstroom is disposed off at the local landfill sites situated in close proximity to the two towns. There was no apparent waste generated by our rural areas. We unfortunately missed participation in the Greenest Town Competition because we were not informed, in fact the whole district did not participate. As we have earlier alluded to the fact that waste is collected at least once a week we can safely say the standard of waste management service is high. We have entered into a Service Level Agreement with a local service provider to close our cells whenever they are full and in the year under review we have closed four cells. The low level bridge that leads to our landfill site in Molteno is currently under construction and this will assist us in preserving the lifespan of our vehicles.

c. Annual performance as per key performance indicators in waste management services

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	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	6220	0	6220	6220	100%

d. Major challenges in waste management services and remedial actions

There are quite a number of challenges that we are faced with as the Municipality. The first one is the issue of financial constraints and this can be attributed to the size of the Municipality and the high level of unemployment. Staff shortage is another challenge as we sometimes fall short of our targets because of this. We lack in landfill equipment and we use trench method. We do not have a way bridge and therefore unable to have the exact tons of waste collected.

2.9 Overall service delivery backlogs

Basic service delivery area	30 June 2010			30 June 2011		
	Required	Budgeted	Actual	Required	Budgeted	Actual
Refuse removal						
Backlogs to be eliminated (n0. HH not receiving	0	0	0	0	0	0

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the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality	0	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	0	0	0

5.4 Community Development Workers performance monitoring

The Municipality has three CDWs at its disposal. We have put mechanisms in place to ensure that we monitor their performance. They report to the office of the Community Services Manager who in turn report to the Municipal Manager and Council. Reports are submitted monthly by the CDWs and are always submitted on time. The total number of cases identified and reported in the year under review is 120 and 60% of these cases were solved while 40% are pending. The number of homes visited by the CDWs during the financial year is 1 800. Most cases related to various government departments like Home Affairs, Social Development and Labour.

The CDWs are fully participating in all Municipal programmes and activities. They also assisted in mobilising people to attend such programmes through loud hailing and posters.

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1. Community and social services function's performance

Function: Community and Social Services			
Sub Function: All inclusive			
Reporting Level	Detail	Total	
Overview:	The Department of Community Services deals with various function which include waste management, traffic control, library services, managing parks and public places		
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <p><i>Leading, directing and taking full responsibility for the Community Services Department of the Municipality, including the refuse collection function, libraries, halls, chalets, preschools, old age homes, clinics, care centres, parks, sport fields, cemeteries and traffic function.</i></p> <p>These services extend to include <i>building creches</i>, maintenance of them but do not take account of <i>salaries of personnel</i> and other cost which resides within the jurisdiction of <i>provincial</i> government. The municipality has a mandate to:</p> <p><i>Deliver quality service to all its residents and to create an environment that is conducive to economic growth.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>Manage and control the cleansing function for the entire Municipality.</i></p> <p><i>Manage and control the library function, community halls, chalets, preschools, old age homes, clinics and care centres for the Municipal area.</i></p> <p><i>Manage and control parks, sport fields and cemeteries for the entire municipal area.</i></p>		

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	<p><i>Prepare, monitor and control the budget for the Community Services Dept so that expenditure is in line with the budget, and manage all other administrative matters of the Dept.</i></p> <p>The key issues for 2010/11 are:</p> <p><i>Opening of the Traffic Testing Station.</i></p> <p><i>Training of Traffic Officials.</i></p> <p><i>Completion of Molteno Sport Complex</i></p> <p><i>Awareness Campaigns</i></p>		
Analysis of the Function:	<p><i>Provide statistical information on (as a minimum):</i></p> <p>1 Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care (including creches etc) - Aged care (including aged homes, home help) - Schools - Sporting facilities (Molteno Rugby field ,Masakhe Sport complex & Sterkstroom Sport field, Nomonde Soccer Ground and Dennekruin Netball Field) - Parks <p>Note: the facilities figure should agree with the assets register</p>	<p><i>no of facilities:</i></p> <p>2</p> <p>2</p> <p>4</p> <p>4</p> <p>7</p> <p>4</p> <p>9</p> <p>5</p> <p>7,686sqkm</p>	<p><i>no of users:</i></p> <p>5015</p> <p>964</p> <p>+20000</p> <p>720</p> <p>442</p> <p>198</p> <p>5692</p> <p>20000</p>
	<p>2 Number and cost to employer of all personnel associated with each community services function:</p>		R(000s)

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	- Library services	5	R445 366.30
	- Museums and art galleries	1	R59 472.00
	- Other community halls/facilities	5	R65694.04
	- Cemeteries and crematoriums	23	R152141.78
	- Child care		
	- Aged care		
	- Schools		
	- Sporting facilities	5	R106 686.00
	- Parks	22	R1056474.24
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
6	Total operating cost of community and social services function		R 4 301 429

1. Waste management function's performance

Function:	Waste Management
Sub Function:	Solid Waste

Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <p><i>Collection of waste in all our residential households and business sites at least once a week.</i></p>		

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	<p><i>The waste is then taken to our permitted land fill sites where waste is sorted and unrecyclable waste is disposed in our cells and those cells are then covered.</i></p> <p>These services extend to include <i>collecting domestic waste as well as garden refuse and rubble</i>, but do not take account of <i>medical waste</i> which resides within the jurisdiction of <i>provincial</i> government. The municipality has a mandate to:</p> <p><i>Provide for proper and safe disposal of waste within the municipality and we must ensure that refuse is removed to create clean and healthy environment for all inhabitants.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>Create a safe and healthy environment</i></p> <p>The key issues for 2011/12 are:</p> <p><i>The training of staff in handling waste</i></p> <p><i>Purchasing of a truck to replace the lost one</i></p>		
Analysis of the Function:	<p><i>Provide statistical information on (as a minimum)</i></p>		
1	<p>Number and cost to employer of all personnel associated with refuse removal:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside work-force) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	<p>0</p> <p>2</p> <p>1</p> <p>23</p>	<p>R (000s)</p> <p>0</p> <p>R230856.00</p> <p>R30 000.00</p> <p>R2139664.00</p>

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	2	Number of households receiving regular refuse removal services, and frequency and cost of service: - Removed by municipality at least once a week - Removed by municipality less often - Communal refuse dump used - Own refuse dump - No rubbish disposal Note: if other intervals of services are available, please provide details		<i>R (000s)</i>
			6220	R347563.00
	3	Total and projected tonnage of all refuse disposed: - Domestic/Commercial - Garden Note: provide total tonnage for current and future years activity		
			N/A	N/A
			N/A	N/A
	4	Total number, capacity and life expectancy of refuse disposal sites: - Domestic/Commercial (number) - Garden (number) Note: provide the number of tip sites, their total current capacity and the expected lifespan as at end of reporting period		
			2	15
			2	15
Reporting Level		Detail	Total	
	5	Anticipated expansion of refuse removal service: - Domestic/Commercial - Garden Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		<i>R (000s)</i>
			1127	R608580
			1127	R608580

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6	Free Basic Service Provision:		
	- Quantity (number of households affected)	2207	
	- Quantum (value to each household)	R45	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
7	Total operating cost of solid waste management function		R 27480083

2. Traffic Services

Reporting Level	Detail	Total	
Overview:	Includes traffic testing and traffic control		
Description of the Activity:	<p>The traffic functions of the municipality are administered as follows and include:</p> <p><i>Traffic Contract Law enforcement</i></p> <p><i>Registration and licensing of motor</i></p> <p><i>Traffic and licensing of motor vehicles</i></p> <p><i>Learners licence testing</i></p> <p><i>Road markings and signage</i></p> <p>These services extend to include <i>functional areas</i>, but do not include areas which reside within the jurisdiction of <i>provincial</i> government. The municipality has a mandate to:</p> <p><i>Do the registration and licensing of motor vehicles, the testing of and issuing of learner and drivers licences in terms of Act 93/1996 and regulate parking</i></p>		

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	<p><i>and traffic within the jurisdiction of the Inkwanca Municipality.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>Provide a safe traffic environment for both the motor-toring traffic and pedestrian traffic.</i></p> <p>The key issues for 2011/12 are:</p> <p><i>Opening of the testing station.</i></p>		
Analysis of the Function:	<p><i>Provide statistical information on (as a minimum)</i></p> <p>1 Number and cost to employer of all personnel associated with traffic services:</p> <p>- Professional (Senior Management)</p> <p>- Field (Traffic Officers)</p> <p>- Office (Clerical/Administration)</p> <p>- Non-professional (visible police on the street)</p> <p>- Temporary</p> <p>- Contract</p> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>		<p><i>R (000s)</i></p>
		1	R49 919.76
		3	R298 116.00
		1	R69 363.00
		0	R0
		0	R0
		0	R0
2	<p>Number of call outs attended:</p> <p>- Emergency call- outs</p> <p>- Standard call-outs</p> <p>Note: provide total number registered</p>		
3	Average response time to call-outs:		

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		- Emergency call-outs	10	
		- Standard call-outs	5	
		Note: provide average by dividing total response time by number of call-outs		
	4	Total number of targeted violations e.g: traffic offences:		
		-Parking offences	12	
		-Speeding	111	
		-Stop sign	18	
		-Unroadworthy vehicles	56	
		-Driving licences	51	
		- Other offences	179	
		Note: list details, including the number of offences recorded.		
Reporting Level	Detail	Total		
5	Total number and type of emergencies leading to loss of life :			
		0		
	Note: list details including the number and type of emergencies recorded.			
6	Total operating cost of traffic services			

Chapter 3

Performance against KPA's

IDP Objective	Key performance indicator	Area	Target	Actual performance
1. Manage and control the cleansing function of the entire municipal area.	A) Undertake the refuse collection and disposal function.	Inkwanca Municipal Area	Ongoing	Achieved
2. Manage and control the library function, community halls, chalets, pre-schools, old age homes, clinics and care centres etc. for the Municipal area.	b) Provision of library services. b) Control of community halls and chalets. c) Control of pre-schools, old age homes, clinics, care centres and Municipal buildings.	Inkwanca Municipal Area	Ongoing	Achieved
3. Manage and control the Traffic function for the entire area.		Inkwanca Municipal Area	Ongoing	Achieved
4. Manage and control the parks, sport fields and cemeteries for the entire municipal area.	Control and maintenance of cemeteries. Provision and maintenance of sports and recreation facilities. Beautification of parks and open spaces and maintenance of	Inkwanca Municipal Area	Fortnightly and Monthly	Achieved

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	pavements.			
5. Prepare, monitor and control the budget for the Community Services Department so that expenditure is in line with the budget, and manage all other administrative matters of the Dept.	<p>a) Prepare and submit departmental budget for 2009/2010 to CFO. b) Monitor and control budget.</p> <p>c) Ensure that staff costs are not overspent.</p> <p>d) All community services reports to be submitted to Council Committees through MM.</p>	Inkwanca Municipal Area	Ongoing	Achieved
	e) Attendance at all meetings on time.	Ongoing		Achieved

The municipality has made a rotation plan to ensure that, refuse collection is taken seriously. The refuse doesn't wait for more than seven days to be collected, because after seven days it becomes dangerous to human beings. Refuse collection schedule is in place to accelerate in speed in terms of refuse collection.

T3.

Chapter 3

Sterkstroom it is a very difficult town to maintain or rehabilitate, the streets are very narrow, in such that road construction machinery cannot operate.

It is unfortunate that our municipality is lacking resources to maintain these roads as we don't even have any roads maintenance machinery, ending us up at having to out-source these service at very high costs. As a '**low revenue-based**' Municipality we depend on capital grants to construct proper roads but the challenge is that after these capital projects are complete, we are unable to maintain from our own operational budget.

Our stormwater system is not effective, as a result our roads are not sustainable due to this fact. We have unblocked over the past year more 10 000 m of block stormwater channels.

T3.7.1

Gravelling Roads Infrastructure - Kilometres				
	Total gravel roads	New gravel roads constructed	Gravelled roads upgraded to tar	Gravel roads graded/ maintained
2008/09	38 km	5.9 km	17.4 km	0 km
2009/10	38 km	0 km	18.4 km	
2010/11	38 km	0 km	18.4 km	15 km

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

Out all what we have done to date, there still a lot to be done in terms of this function as matter of fact we have set aside more R 50 million for this purpose on

T3.7.1

Chapter 3

COMMENT ON THE T PERFORMANCE OF TRANSPORT OVERALL:

There is no comment to the performance of the aforementioned subject due to the fact that the municipality does not provide and deal with such service.

T3.8.7

3.9 WASTE WATER (STORMWATER DRAINAGE)

INTRODUCTION TO STORMWATER DRAINAGE

The municipality is in the process of dealing with storm water drainage, as we have tried but we can confirm that, the level of service which relates to storm water drainage is moving very slow, due to the fact that the municipality doesn't have adequate financial resources to address this matter. However we have prioritised storm water drainage in terms of our IDP priorities.

T3.9.

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COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

- Access to market for agricultural and other products;
- High transportation costs
- Inadequate telecommunications structure: no internet access, telephone coverage limited;
- Limited local consumer spending capabilities as a results of unemployment;
- Lack of appropriate business skills;
- Under resourced and under capacitated municipal LED units to support business
- Lack appropriate by-laws and policy regulating and supporting business;
- Municipal supply chain management systems which do not promote or utilise emerging businesses
- Difficult access to land for commercial purposes;
- Local business not represented by a common structure.
- **Inadequate and irregular electricity supply.**
- Insufficient and deteriorating municipal infrastructure e.g. roads, electricity, sanitation and water;
- Lack of business development services;
- Economic leakages resulting from out flow of local resources

Lack of trading infrastructure e.g. business accommodation

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COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

Delete Directive note once comment's completed - Explain the priority of the four largest capital projects and explain the variations from budget for net operating and capital expenditure. Confirm your year 5 targets set out in the IDP schedule can be attained within approved budget provision and if not then state how you intend to rectify the matter. Explain the priority of the four largest capital projects and explain variances from budget for net operating and capital expenditure. Also explain any likely variation to the total approved project value (arising from 2008/09 and/or previous year actuals, or expected future variations).

T3.10.7

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

The Inkwanca Local Municipality identified tourism, especially, hunting, as one of its economic drivers and growth sector. The untapped natural resources, culture and historic heritage that should put the municipality in the map are not documented. Even though our tourism sector plan has been there for over six years and sets out clear objectives on how tourism could actually development the local area and contributes to job creation, it is unfortunate to state that minimal or no development has been noticed, for all these years. There is quite a number of initiatives that Inkwanca municipality should be pursuing under tourism development, such as,

- Tourism product development facilitation
- Tourism promotion and marketing and so on.

Growing Tourism Sector

Inkwanca Local Municipality has received an amount of R30 thousand for tourism awareness's from the Chris Hani District Municipality (CHDM). Furthermore, Liberation Heritage Sites Information Signs have been erected on all our identified local heritage sites such as:

Heroes Park, Old Apostolic Church, Ethiopian Church, Nomonde Grave Yard, High Mission School, Stone of Remembrance and the LED Unit hope that these signs will be presented and unveiled in conjunction with the Tourism Awareness Day.

T3.11.1

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Agriculture and hunting represent the largest contributor and employer in the municipal area and has over the years experienced positive growth rates which have been accompanied by positive net job gains. Informal trade has also played a very significant role over the same period. Therefore, Inkwanca Local Municipality has prioritised Agriculture, Hunting, Forestry and Fishing as first order sectors, while Manufacturing, Construction, Community and Social Services, and informal sector are prioritized as second order sectors.

•Progress on the above area

Food Security: Sequel to 50 families from both (Sterkstroom & Molteno) who have been given vegetables seedlings to plant and feed their immediate families, the demand has increase from local communities that this initiative be spread throughout the area to reach more numbers or families. Consequently to this demand the LED has in November 2011 requested assistance from CHDM LED Section in terms of funding this project, going forward but up till this stage our LED Unit hasn't yet received any response but of course a follow up will be done.

Agricultural Capacity Building: The Fredeinheim Farm beneficiaries have been trained on good governance and the farm was handed over in the previous by the MEC of Agrarian Reform and Rural Development. Furthermore 20 youths from Siyokhana Hen and Poultry have commence with training on livestock improvement, this training started in October 2011 and paused on the 13 December 2011 and to begin again mid January 2012

1.3 Challenges or Barriers on these Sectors

- Access to capital
- Inadequate infrastructure
- Low skill base
- Lack of business support
- Sub-sectors of agriculture and value adding activities do not exist or are not competitive in the local area

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COMMENT ON LOCAL JOB OPPORTUNITIES:

The local job opportunities remains a challenge due to the lack of required skills, however the municipality has requested assistance from the District on this regard. Tourism is a challenge it doesn't attract people and marketing is one of the key challenges for the municipality.

T3.11.4

Expanded Public Works Programme: The LED UNIT has already collected registration documents from four (4) local cooperatives for submission to CHDM, so that these coops could be incentivized through the said program. This is aimed at limiting project's beneficiaries from using the little monies that they collect from their respective businesses. The LED UNIT Coordinator will submit these coops and register them to the program as they come. Furthermore, now that the Municipality will be employing an EPWP Coordinator we hope this process to be fast.

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COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

The Inkwanca Local Municipality accepts that small local municipalities have a limited role in facilitating local development in their areas. Municipalities cannot create sustainable jobs or grow the local economy through their own interventions or investments alone. Local economic development requires the combined efforts. Having noted this, this report will give account on activities that transpired for the quarter starting October 2011 to January 2012. In addition, the report will also highlight the challenges endured on each function or activity that falls under the local economic development key performance area. Starting with:

T3.11.11

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

Delete Directive note once comment is complete – Provide brief introductory comments. Refer to support given to those communities that are living in poverty.

T3.52.0

3.52 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

INTRODUCTION TO LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

Delete Directive note once comment is complete – Provide brief introductory comments. Set out your top 3 service delivery priorities and the impact you have had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by your service during the year. Refer to support given to those communities that are living in poverty.

T3.52.1

Chapter 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT PART II)

INTRODUCTION

The Corporate Services Department derives its mandate from the council's key development objectives, that is, the institutional development. The primary function of this department, is therefore among others to facilitate institutional development, including staffing and staff development.

Our commitment as an internal service provider and facilitator is to ensure the municipality is strategically positioned and resources to meet and maximise on client needs, the various publics.

It is important to mention herein that to date our greatest challenge remains, staff retention. Due to the size of our budget, we have found ourselves in an untenable position, where we struggle to firstly entice skilled personnel and retain staff. As a consequence our staff development programme has been greatly compromised, in that even though we have invested time and resources in developing skills and competencies in key functional areas, these have come to not where we have in one fell swoop lost three highly skilled managers.

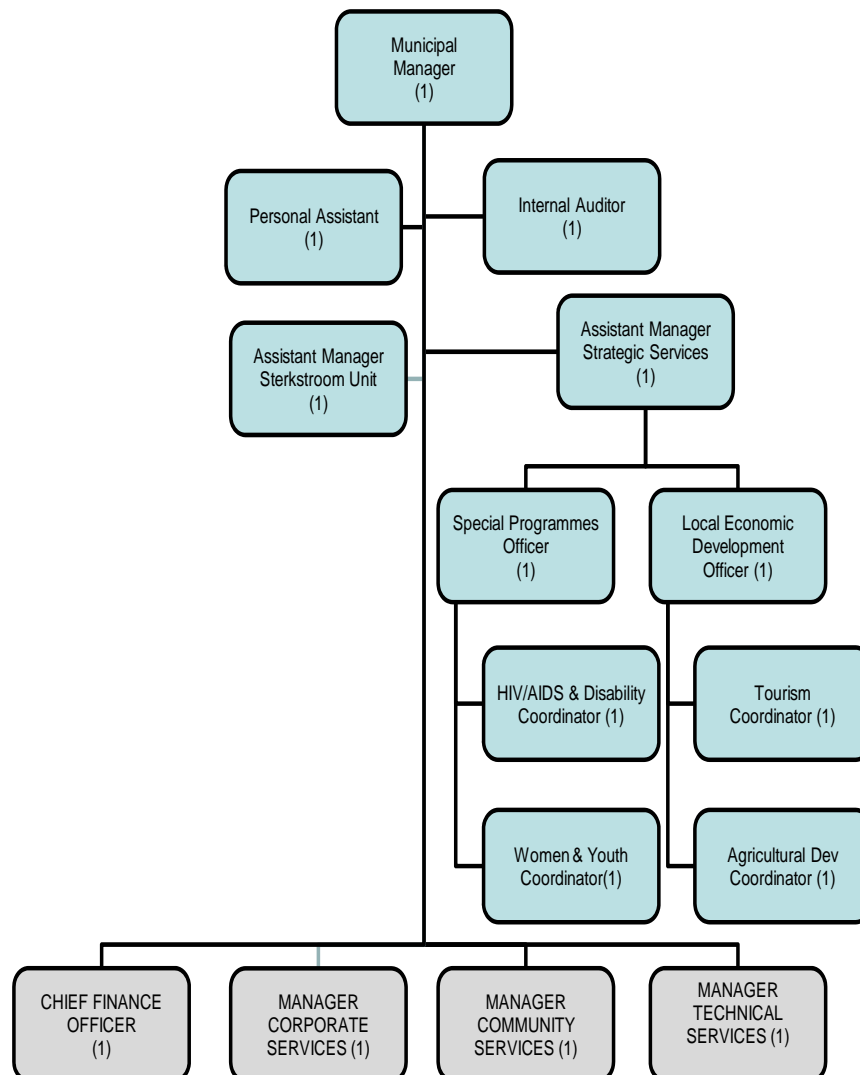
3.1.1 Approved and vacant posts on post levels

The Management team is supported by staff employed by the municipality to deliver on municipal services and political priorities. The approved structure for the Administration has 172.

Chapter 4

MUNICIPAL MANAGER'S OFFICE

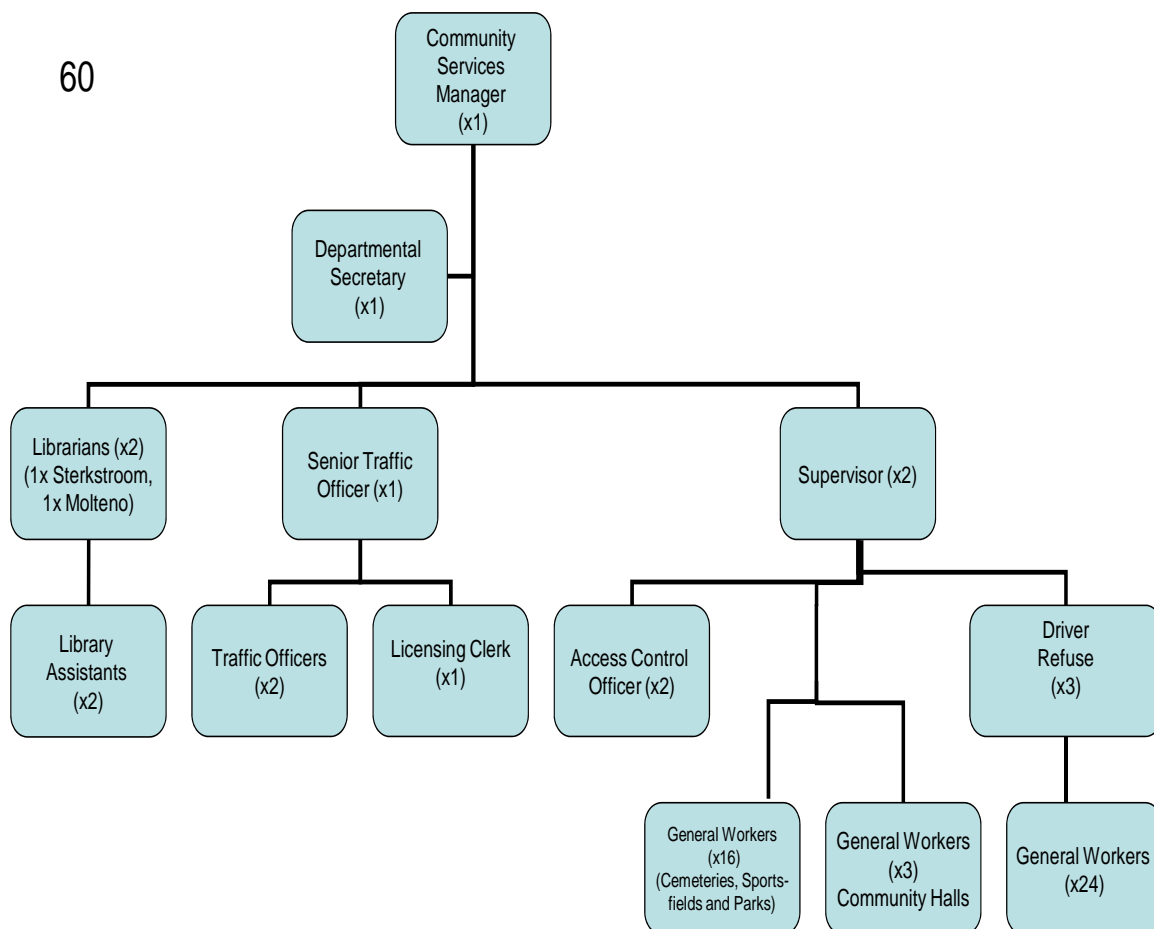
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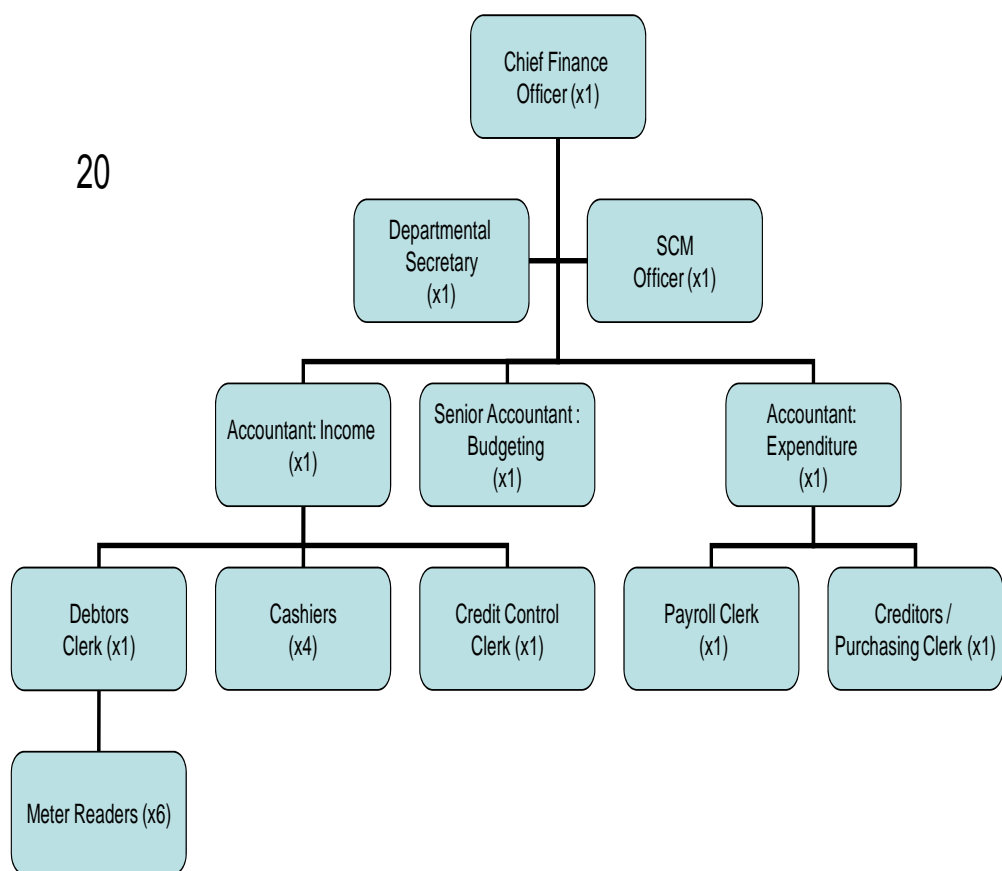
COMMUNITY SERVICES DEPARTMENT

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Chapter 4

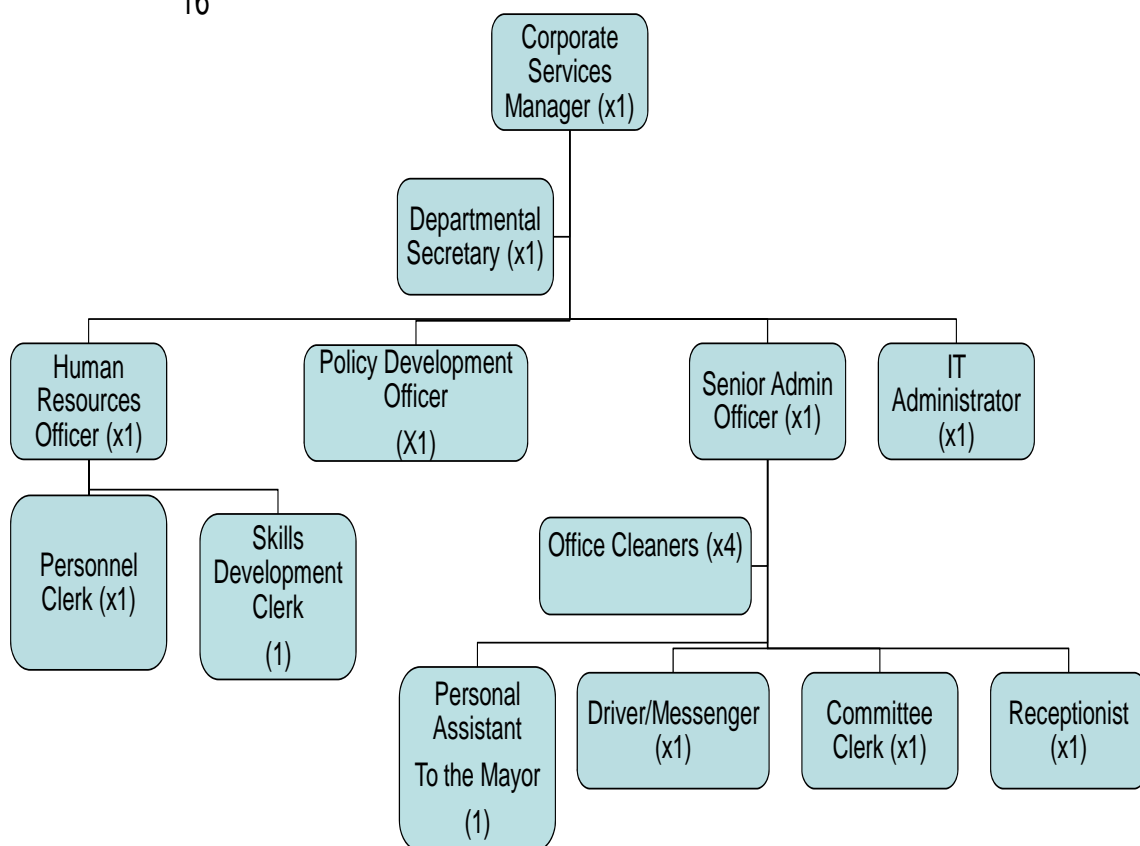
BUDGET AND TREASURY OFFICE



Chapter 4

CORPORATE SERVICES DEPARTMENT

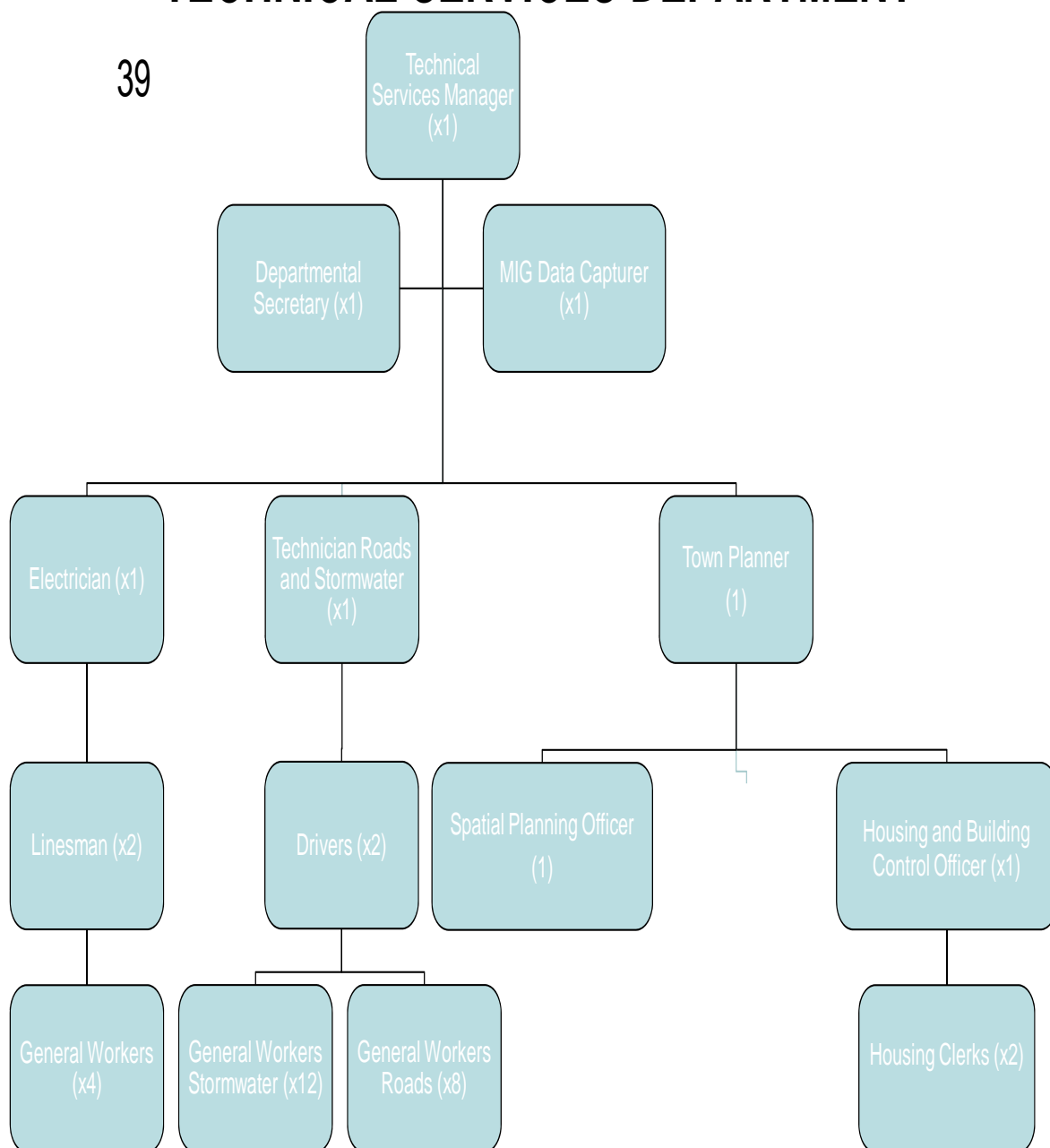
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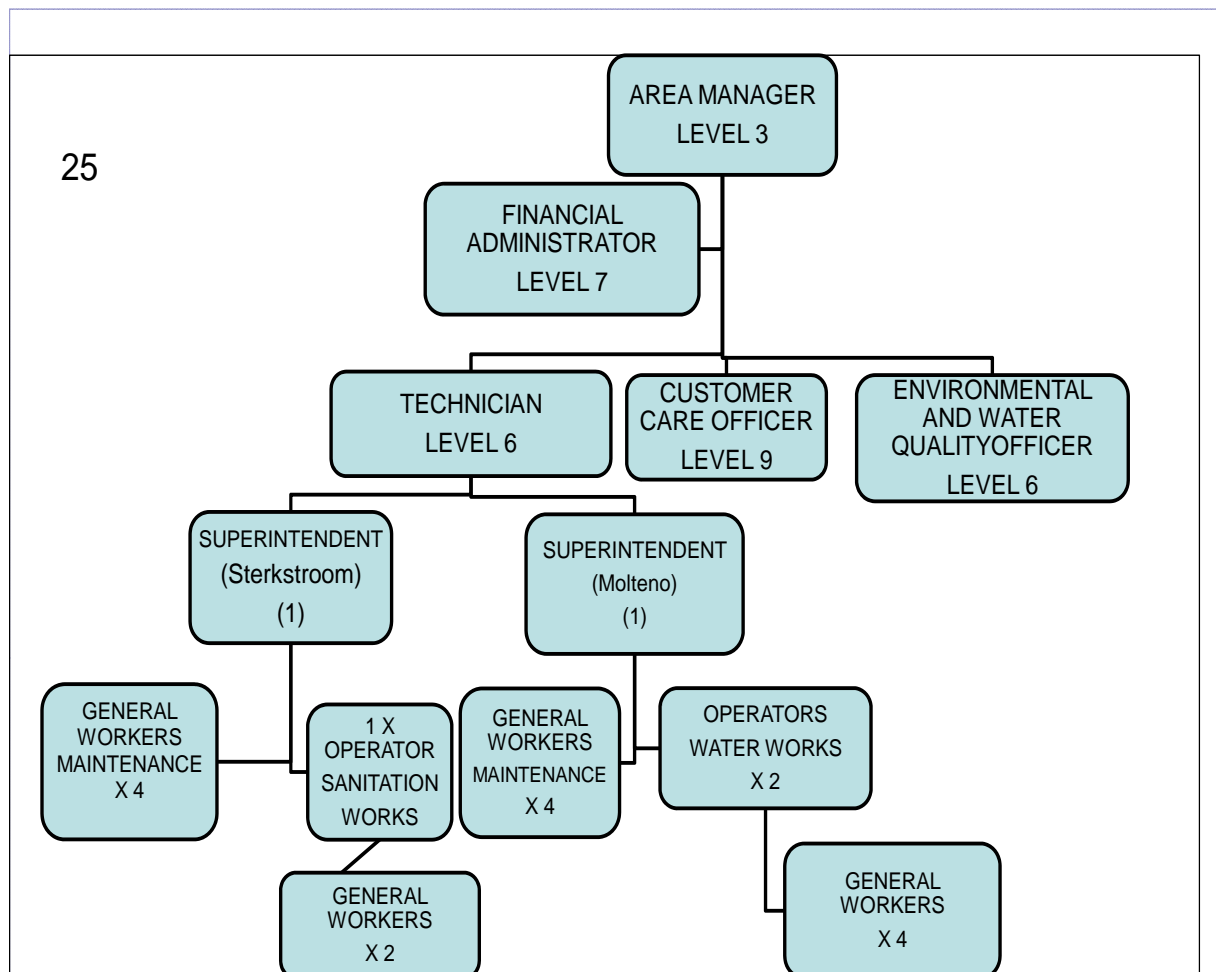
TECHNICAL SERVICES DEPARTMENT

39



Chapter 4

WSSP SECTION



Chapter 4

The actual positions filled are indicated in the tables below

PER POST LEVEL		
Post level	Approved	Vacant
MM & MSA section 57	5	0
Middle management	18	10
Admin Officers	35	11
General Workers	114	29
Total	172	50
PER FUNCTIONAL LEVEL		
Functional area	Approved	Vacant
Municipal manager's office	12	5
Corporate Services	16	4
Financial Services	20	4
Technical Services	39	11
Water & Sanitation Services	25	9
Community Services	60	17
Total	172	50

Chapter 4

3.1.2 Details on posts filled

Posts filled									
Occupational Categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	7			1	5				13
Professionals									
Technicians and associate professionals	6				3	1		1	11
Service and sales					3				3
Craft and related									
Plant and machine operators and as-	7								7
Elementary occupa-	78								78
Total permanent	103			1	20	1		3	128
Non- permanent	17				5				22
Grand total	120			1	25	1		3	150

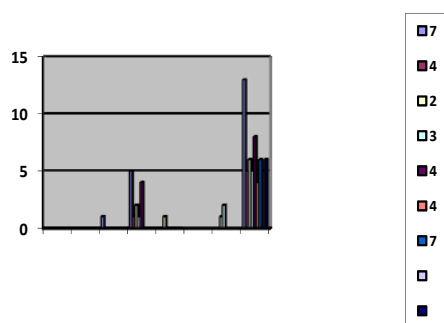
Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Senior management	5				2				7
Professionally qualified and experienced specialists and mid-	6				3	1		1	11

Chapter 4

Skilled technical and academically qualified workers, junior management, supervisors, foremen and	5				12			2	19
Semi-skilled and discretionary decision	7								7
Unskilled and defined decision making	78								78
Total permanent	101				17	1		3	122
Non- permanent em-	17				5				22
Grand total	118				22	1		3	144

Key function (Department)	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal manager's office	2				2				4
Corporate Services	4				5	1		1	11
Financial Services	7			1	4			2	14
Technical Services	32				1				33
Community Services	34				4				38
Water & Sanitation Services	22								22
Total permanent	101			1	16	1		3	122
Non- permanent	17				5				
Grand total	118			1	21	1		3	144

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3.1.3 Employment equity

Description	African	Coloured	Indian	White	Male	Female	Disability
Target	135	5	0	32	86	86	9
Actual	117	1	0	4	82	21	1

During the 2008/09 financial year, the Municipality appointed **10** employees in various departments. All of these appointments were based on both the service delivery needs and the Employment Equity Plan. The

biggest challenge for the municipality remains the staff turnover.

Chapter 4

The demographic information of the municipality compared to the workforce of the institution is as follows:

Description	Total	African	Coloured	Indian	White
Population numbers	20245	15725	670	0	3850
% Population	100%	78%	3%	0	19%
Number for positions filled	122	117	1	0	4
% for Positions filled	71%	96%	0.8%	0	3%

3.2. Capacitating the municipal workforce

The Work Place Skills Plan (WPSP) for 2008/09 financial year and the Implementation Report for the 2007/08 financial year was submitted to the Seta on 31 March 2009. The amount spent on training was

R 182 364.72, which is **1,8%** of the salary spend of **R10 220 000,00** as at 30 June 2009. The training programmes that were completed by the municipal staff is summarised in the following table.

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Municipal staff

Name of training programme	Short description	Number of officials							
		Gender		Race					
		Female	Male	AF	AM	CF	CM	WF	WM
Adult Basic Education and Training	ABET	1	23	1	23	0	0	0	0
Certificate Programme For management Development inMunicipal Finances	CPMDP-MF	1	3	1	3	0	0	0	0
Traffic Examiner's Course		2	1	2	1				
Finance Management and Development Programme		3	2	3	2				
Certificate in Local Government Law and Administration			1		1				
Total		7	30	7	30				

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Councillors

Name of training programme	Short description	Number of councillors							
		Gender		Race					
		Female	Male	AF	AM	CF	CM	WF	WM
Certificate in Local Government Law and Administration			1		1				
Masters Degree in Public Admin.			1		1				

3.3 Managing the municipal workforce

3.3.1 Injuries and sick leave

Department	Total nr of Injuries for the year	Total number of days sick leave taken during the year
Municipal manager's office	0	1
Corporate Services	0	36
Financial Services	1	42
Technical Services	0	41
Community Services	0	91
TOTALS	1	211

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3.3.2 HR Policies and plans

Approved policy	
Name of policy	Date approved
INDIGENT POLICY	31 MARCH 2009
PETTY CASH POLICY	31 MARCH 2009
RATES POLICY	31 MARCH 2009
TARRIF POLICY	31 MARCH 2009
CUSTOMER CARE, CREDIT CONTROL, DEBIT COLLECTION POLICY AND DEBT COLLECTION STRATEGY	31 MARCH 2009
SUPPLY CHAIN MANAGEMENT POLICY	31 MARCH 2009
Policies still to be developed	
Name of policy	Proposed date of approval
Employment Equity Policy	29 October 2009
Staff Performance Management Policy	29 October 2009
Disaster Recovery Policy	29 October 2009
Risk Management	29 October 2009
Principles & Policy on writing off irrecoverable debt	29 October 2009
Computer and Internet Usage Policy	29 October 2009
Inkwanca Municipality: Bursary Policy	29 October 2009
Data Backup Policy	29 October 2009
Corporate Gifts Policy	29 October 2009
Fixed Asset Policy	29 October 2009

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Code of Conduct	05 February 2010
<i>COMPREHENSIVE HUMAN RESOURCE POLICY</i>	<i>05 FEBRUARY 2010</i>

3.4. Managing the Municipal Workforce Expenditure

3.4.1 Personnel expenditure compared to total operating expenditure

Financial year	Total Expenditure salary and allowances (R'000)	Total Operating Expenditure (R'000)	Percentage (%)
2005/06	5 993	10 480	57.18%
2006/07	7 441	12 582	59.14%
2007/08	9 214	14 649	62.90%
2008/09	10 220	25 504	40.07%
Average	32 867	63 217	52%

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3.4.2 Promotions

Department	Gender		Race						Total
	Female	Male	AF	AM	CF	CM	WF	WM	
Municipal manager's office	0	0	0	0	0	0	0	0	0
Corporate Services	0	0	0	0	0	0	0	0	0
Financial Services	0	0	0	0	0	0	0	0	0
Technical Services	0	0	0	0	0	0	0	0	0
Strategic Services	0	0	0	0	0	0	0	0	0
Town Planning	0	0	0	0	0	0	0	0	0
Electro Technical Services	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0

3.4.3 Upgraded posts

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Department	Gender		Race						Total
	Female	Male	AF	AM	CF	CM	WF	WM	
Municipal manager's office	0	0	0	0	0	0	0	0	0
Corporate Services	0	0	0	0	0	0	0	0	0
Financial Services	0	0	0	0	0	0	0	0	0
Technical Services	0	0	0	0	0	0	0	0	0
Strategic Services	0	0	0	0	0	0	0	0	0
Town Planning	0	0	0	0	0	0	0	0	0
Electro Technical Services	0	0	0	0	0	0	0	0	0
Total									

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3.4.4 Salary level exceeding grades

Department	Gender		Race						Total
	Female	Male	AF	AM	CF	CM	WF	WM	
Municipal manager's office	0	0	0	0	0	0	0	0	0
Corporate Services	0	0	0	0	0	0	0	0	0
Financial Services	0	0	0	0	0	0	0	0	0
Technical Services	0	0	0	0	0	0	0	0	0
Strategic Services	0	0	0	0	0	0	0	0	0
Town Planning	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0

COMMENT ON PERFORMANCE REWARDS:

The municipality has recently developed a RECOGNITION OF SERVICE EXCELLENCE AND INNOVATION POLICY. It has been adopted by the council.

T4.

VOLUME II

CHAPTER 5 – FINANCIAL PERFORMANCE

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

Inkwanca Local Municipality STATEMENT OF FINANCIAL PERFORMANCE As at the end 30 June 2011			
	Note	2011 R	2010 R
ASSETS			
Current assets			
Cash and cash equivalents	1	1 077 382	354 496
Trade and other receivables from exchange transactions	2	3 060 464	1 551 533
Other receivables from non-exchange transactions	3	328 712	2 758 797
STATEMENT OF FINANCIAL POSITION	4	43 702	-
as at 30 June 2011	5	1 432 232	442 243
Non-current assets			
Property, plant and equipment	6	3 570 127	2 749 832
Investment property carried at cost	7	-	-
Total assets		9 512 619	7 856 901
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	8	14 247 472	7 287 662
Consumer deposits	9	169 512	177 669
Current provisions	10	1 891 118	1 312 805
Current portion of unspent conditional grants and receipts	11	3 560 020	1 784 440
Current portion of borrowings	12	2 069 011	2 069 011
Current portion of finance lease liability	13	73 114	97 618
Non-current liabilities			
Non-current unspent conditional grants and receipts	11	-	-
Non-current borrowings	12	-	-
Non-current finance lease liability	13	80 217	103 895
Total liabilities		22 090 463	12 833 100
Net assets		(12 577 844)	(4 976 198)
NET ASSETS			
Accumulated surplus / (deficit)		(12 577 844)	(4 976 198)
Total net assets			

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(12 577 844)

(4 976 198)

Inkwanca Local Municipality STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2011

	Note	2011 R	2010 R
Revenue			
Property rates	14	3 634 270	3 148 526
Property rates - penalties imposed and collection charges	14	-	-
Service charges	15	7 927 648	5 508 036
Rental of facilities and equipment	16	63 593	46 673
Interest earned - external investments	17	762	956
Interest earned - outstanding receivables	18	2 117 962	1 986 198
Fines		87 584	83 381
Licences and permits		-	-
Government grants and subsidies	19	22 011 163	22 708 815
Other income	20	2 013 992	1 520 470
Total revenue		37 856 974	35 003 055
Expenses			
Employee related costs	21	13 715 846	10 471 626
Remuneration of councillors	22	1 655 482	1 235 150
Bad debts impairment		10 117 936	4 863 423
Depreciation and amortisation expense	23	-	-
Repairs and maintenance		2 027 238	769 907
Finance costs	24	125 506	216 586
Bulk purchases	25	4 604 067	3 568 827
Grants and subsidies expensed	27	9 093 709	7 870 868
General expenses	28	4 118 836	2 859 128
Total expenses		45 458 620	31 855 515
Surplus / (deficit) for the period		(7 601 645)	3 147 540

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Inkwanca Local Municipality STATEMENT OF CHANGES IN NET ASSETS as at 30 June 2011						
				Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
				R	R	R
Balance at 30 June	2009				(8 395 066)	(8 395 066)
Correction of prior period error			42		271 327	271 327
Restated balance				-	(8 123 738)	(8 123 738)
Surplus / (deficit) for the period					3 147 540	3 147 540
Balance at 30 June	2010			-	(4 976 198)	(4 976 198)
Surplus / (deficit) for the period					(7 601 645)	(7 601 645)
Balance at 30 June	2011			-	(12 577 844)	(12 577 844)

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Inkwanca Local Municipality CASH FLOW STATEMENT as at 30 June 2011			
	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		37 925 810	39 755 627
Sales of goods and services		13 795 924	15 059 658
Grants		22 011 163	22 708 815
Interest received		2 118 724	1 987 154
Payments		38 327 665	38 422 467
Employee costs		14 146 416	9 958 242
Suppliers		24 055 743	28 247 639
Interest paid		125 506	216 586
CASH GENERATED BY OPERATIONS	29	(401 855)	1 333 160
Interest income		2 118 724	1 987 154
Finance costs		(125 506)	(216 586)
		1 591 363	3 103 728
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(820 294)	(2 749 832)
Proceeds from sale of fixed assets		-	-
Other		-	-
Net cash flows from investing activities		(820 294)	(2 749 832)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) borrowings and finance lease liability		(48 182)	144 083
Other			
Net cash flows from financing activities		(48 182)	144 083
Net increase / (decrease) in net cash and cash equivalents		722 887	497 978
Net cash and cash equivalents at beginning of period		354 495	(143 483)
Net cash and cash equivalents at end of period	30	1 077 382	354 495

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2010 – 2011

Report of the Oversight Committee
of the Inkwanca Council



INKWANCA LOCAL MUNICIPALITY

- Oversight Committee Members

Councillor C.M. Botha (Committee Chairperson)

Chapter 4

Councillor J.K. Jonga

Councillor C.H. Guda

Councillor N.N. Cwebi

Abbreviations

AFS	-	Annual Financial Statements
MFMA	-	Municipal Finance Management Act, No. 56 of 2003
MSA	-	Municipal Systems Act, No. 32 of 2000
SDBIP	-	Service Delivery and Budget Implementation Plan (s 53 MFMA)
IDP	-	Integrated Development Plan
AG	-	Auditor General
IA	-	Internal Auditor
AC	-	Audit Committee
ILM	-	Inkwanca Local Municipality
CDW	-	Community Development Worker
HOD	-	Head of Department
LED	-	Local Economic Development

This Oversight Committee Report is published by Inkwanca Local Municipality (ILM). It reviews all activities of the Municipality for the period July 2010 to June 2011 and provides guidance in financial and assist in maintaining oversight within the broader governance context. Every effort has been made to ensure that the facts are correct.

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1. Overview and Process

This report is intended to fulfil the obligation of the ILM Council for an Oversight Report on the 2010/2011 ILM Annual Report, as required by the Municipal Financial Management Act (MFMA) Section 129 (1).

The Oversight Committee was established as recommended under Section 33 and 79 of the Municipal Structures Act 117 of 1998. The responsibility of this committee is to present a detailed analysis and review of the Annual Report and then draft an oversight report that will be tabled for discussion and approval by the Council.

So in accordance with National Treasury's Circular 32, the ILM Council, under the auspices of the Mayor, created an Oversight Committee by resolution on the 1st Council meeting of the third Council held on the 25th May 2011. In accordance with that resolution the Committee was constituted with four members, all Councillors of ILM.

Each Committee member received the following information to guide and inform his or her review of the 2009/2010 Annual Report:

- 2010/2011 Annual Report;
- 2010/2011 Auditor General Report
- National Treasury's Circular 32, The Oversight Report;

The Committee met on 23 January 2011, to review the results of their individual reviews; to attempt to reach consensus on a Committee conclusion for each of the issues. The committee noted the following:

- The absence of the Financial Statements from the Annual Report 2010/2011 which resulted in Councillors unable to review them,
- The absence of the Report of the Audit Committee which resulted in Councillors unable to consider the opinion of the Audit Committee,

Based on the entirety of the Committee's joint and individual work products, the Committee developed a List of Issues and Concerns with the 2010/2011 Annual Report (Annexure 1), and recommends adoption by Council of the proposed resolution (Section 6) at its next regularly scheduled meeting.

2. Summary of Issues and Concerns with the 2010/2011 Annual Report

The Committee concludes that due to the disclaimer received from the AG, improvement is needed in critical areas. It is the recommendation of the Oversight Committee that the Executive Management Team should be properly and clearly delegated to place a high priority on eliminating all qualifications and concerns expressed by the Auditor General.

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The List of Issues and Concerns with the 2010/2011 Annual Report contains the specific items noted by the Committee:

- The 2010/2011 Annual Report contains indicators that is not consistent between the IDP and the SDBIP and performance against targets is not valid, accurate and complete as inadequate source information was provided as required by the Municipal Systems Act Section 43 & Section 46. This makes it very difficult to evaluate whether ILM's performance, based on the extensive performance reporting that is documented, was noteworthy, acceptable or deficient.
- For 2011/2012, the Committee recommends comparative information to be included against all significant performance objectives, including revenue performance by revenue source. This will simplify council's oversight into ILM's performance related to its IDP and Budget commitments. It will also serve as an early indication whether ILM will meet or fall short of its obligations. This section should also make provision for an explanation from the administration on their plans to accelerate or catch up with its planned commitments.

The Committee is of the opinion and recommends that compliance with this should be the final determinant of the level of performance related bonuses paid to the Executive Management. The Committee is especially concerned that many of the audit qualifications and other Auditor General findings in the 2010/2011 Report have been in previous Reports. The Committee believes these issues should be resolved and not be the subject of an audit qualification for 2011/2012 and beyond. The List of Issues and Concerns with the 2010/2011 Annual Report contains the specific items noted by the Committee (Annexure A).

3. Financial Viability

We appreciate the work done by management, but are concerned with the seriousness of the qualifications and the disclaimer ILM received from the Auditor General. We have noted the following issues for immediate action:

- Indigent register not an accurate reflection of the Indigent Population numbers within the confines of the ILM area.
- Insufficient equitable share.
- The Annual Financial Statements were not prepared in accordance with the requirements of Section 122 of the MFMA. It is a concern that the statements are prepared by Service Providers and no skills are retained by ILM employees.
- Non-compliance with regulatory requirements that is raised by the AG on a concurrent basis.

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- Under spending in capacitating the municipal workforce.
- The constant inability of ILM to pay their creditors timeously resulting in fruitless and wasteful expenditure in paying interest.
- ILM's budget is not aligned with the IDP.
- Inadequate reviews performed relating to recording and processing of data into the general ledger, and of the accounting policies, resulting in incomplete accounting policies and disclosure notes and inaccurate balances in the AFS.

Recommendations:

- The Administration to conduct its own survey to determine a true reflection of ILM's Indigent Population so as to assist in lobbying for an increase in allocation of Equitable Share.
- Ensure measures to be implemented in order for ILM employees to be equipped with the necessary skills to assist with the compiling of the Annual Financial Statements.
- Accounting Officer to ensure the compliance of the institution to all regulatory and legislative requirements.
- Draft a capacity building strategy for officials and councillors. Utilizing grants meant for capacity building.
- Stricter budget control and monitoring needs to be implemented immediately to ensure that all creditors are paid on time. Internal Auditor to assist in this regard.
- Ensure Alignment of the Service Delivery and Budget Implementation Plan with the IDP.
- Management and Council to ensure that all reviews are complied with so as to ensure that no errors are recorded in the AFS.

4

4. Governance and Public Participation

This Committee noted some improvement but are concerned on issues that were not attended to that are in need of more resources allocated to it.

- Council meetings not properly advertised for public notice.
- Limited participation of certain sectors of the community.

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- Community Development Workers are crucial in assisting Ward Councillors in mobilising people to attend municipal meetings and programmes.

Recommendations:

- Council meetings to be properly advertised in newspapers so as to enhance public participation.
- A report to be compiled and presented to council on the investigation called for in the Oversight Report of 2008/2009, considering the barriers influencing limited participation of certain sectors within the community.
- ILM consists of four wards and the committee recommends the extension of the CDW's numbers to four, allocating one CDW per ward.

5. Service Delivery

- Inadequate maintenance done on meters.
- Turnaround time on attending and fixing faults reported is not adequate.
- Housing beneficiaries registered for current and future housing projects are unsure on the status of their applications, and if their names still appear on the housing lists.

Recommendations:

- Maintenance to meters to be done regularly so as to ensure that they are in working condition. Any problems are to be attended to immediately without delay, as this issue is resulting in incorrect billing. Meter readers to be tested and trained on their shortfalls and to determine their assistance regarding maintenance.
- All relevant departments to ensure that any and all faults reported at the offices of ILM is attended to timeously and report immediately if any factors prevent the service from being delivered.
- The committee recommends that the relevant housing lists be printed and advertised at the offices of ILM, giving the opportunity to applicants to verify their status on the list.

6. Organisational Matters

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The Committee has noted in the AG Report

- No progress on Audit Action Plan. The Committee is especially concerned that many of the audit qualifications and other Auditor General findings in the 2010/2011 report are qualifications raised in previous reports.
- This Committee notes with serious concern the annual leave that is a concurrent & continuous qualification.
- A substantial amount of qualifications raised by the AG pertains to information not available to audit, incorrect procedures followed and the relevant legislation not being adhered to.

Recommendations:

- The Steering committee in conjunction with the Internal Audit Unit to monitor and implement the Audit Action Plan and to give regular feedback to the Council.
- The HOD for Corporate Services to assess and investigate the reason for the continuous qualification on the provision for leave and to take corrective steps so as to ensure that if training is needed immediate action is taken, as this issue is no longer allowed to carry over to the next financial year.
- The Internal Audit unit to address all non-compliance issues and to report to the Municipal Manager any instances of non-cooperation. The Internal Audit Unit, with the assistance of the Audit Committee, to routinely perform a required set of audits and to report back to Council. The IA is also to assist the institution to ready itself for the Annual Audit prior to the arrival of the AG.

7. LED

The Committee noted the municipality does not prioritize LED

- LED strategy of the municipality regarding projects and local tourism development not capacitated.

Recommendations:

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- Engage relevant departments and local business sector to educate and engage ILM residents regarding LED.
- Set goals to assist current and new projects to become viable and profitable.
- Engage departments, especially Social Development, to verify funds that are available to assist the initiating of new projects.

8. Minutes of the Meeting of the Oversight Committee

Copies of the minutes of the meetings of the Oversight Committee must be included in the final Oversight Report to facilitate transparency in the dealings and deliberations of the committee in compiling the Oversight Report.

The Committee met on 23 January 2012 and a copy of the minutes is attached.

9. Conclusion

As the Oversight Committee we appeal to all Municipal Managers and the Accounting Officer to monitor progress in the implementation of the Audit Action Plan and to put an end to late submissions and non-performance.

The Committee thanks the Mayor of Inkwanca Local Municipality, Councilors and the entire Management Team for their support and cooperation in completing this report oversight process. The Committee strongly believes that Inkwanca Local Municipality and its citizens will realize substantial and tangible benefits if a process of public participation is followed in the following

years. The Committee is grateful for the opportunity to be of service to Inkwanca Local Municipality and its citizens.

10. Recommended resolution to be adopted by council, in accordance with MFMA Section 129(1):

Council resolves that:

- a.) Having fully considered the 2010/2011 Annual Report of the Municipality, Council adopts the oversight report; and
- b.) The 2010/2011 Annual report be approved with reservations as included in the List of Issues (Annex 1) and concerns listed thereafter in the Oversight Report; and
- c.) Council directs the Mayor to report to Council on progress with execution of the corrective actions contained in the Oversight Report.

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Annex 2: List of Issues and Concerns with the 2010/2011 Annual Report

AG Report	Reservations Expressed by the Oversight Committee	Actions Required	Prepare June 2013 Action Plan (See note)
4-7 76-78	Revenue Inaccurate	<p>Documentation not provided to AG.</p> <p>A preparation plan three months prior to Annual Audit to be implemented.</p> <p>Immediate balancing of the valuation roll and debtor clean-up needs to take place.</p> <p>Employees to be capacitated on billing run and ensure proper checks and balances are performed, especially relating to inter departmental accounts.</p> <p>Ensure all reconciliations are done on time and implement all policies related to the department.</p>	YES
19-20	Failure to adhere to MFMA Section 125(2) regarding Irregular Expenditure.	<p>Strict Budget control needs to be implemented to avoid irregular expenditure.</p> <p>Any such expenditure to be captured accordingly as provided for by legislation.</p>	YES
21-23 79-80	Asset Management not compliant	<p>The HOD to evaluate and assist in updating the municipalities fixed asset register in order to accommodate changes made with regards to immovable property and other fixed assets.</p> <p>All information captured in register to be verified.</p>	YES
46-47, 53	Section 72(1) (a) (ii), Section 72(1) (b) and Section 71(1) of the MFMA not adhered to.	All administration employees, especially managers, to comply with legislated deadlines for reports.	YES

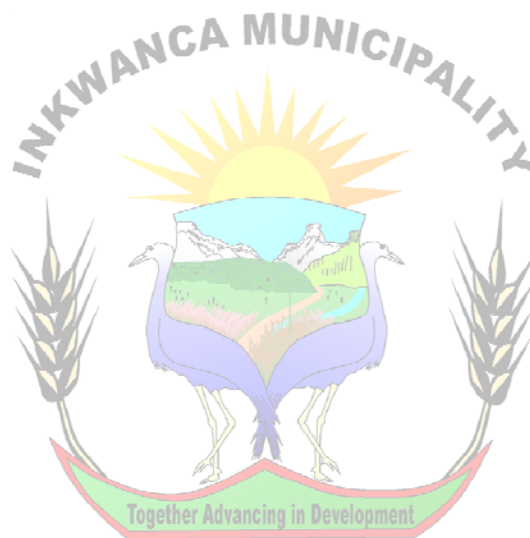
Chapter 4

48-51	Information necessary for the IDP not included (Section 26 of the MSA)	The Accounting Officer to ensure that all relevant requirements regarding the IDP be adhered to and implemented.	YES
60-67	More involvement required by the AC and IA. Relevant legislation not adhered to.	IA to address non-compliance with the assistance from the AC. The AC to perform on-going monitoring and supervision to enable management to determine whether internal control over financial reporting is functioning and accurate. Regular feedback to be supplied to council.	YES
68-70	SCM regulations regarding procurement were not followed.	Regular reviews to take place to ensure procurement processes are followed. Ensure that all SCM procedures are followed in the correct manner and that all regulations and policies are adhered to.	YES
71-75	Fruitless & Wasteful expenditure incurred due to non-compliance with legislation.	The Accounting Officer of the municipality to ensure that creditors are paid timeously so as to prevent interest charged. Stricter control to be exercised on grants allocated for intended purposes, so as to avoid using grants for unintended purposes.	YES
92	Archive Systems not on Standard	System to be evaluated and accordingly rectified. Implementation to be completed in time before the next Annual Audit commences so as to ensure documentation is easily accessible to the AG.	YES

Note:

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If Yes, Executive Mayor and Municipal Manager should submit to Council written Action Plans to address each issue and concern and address each item in the 2011/2012 Annual Report.



Inkwanca Local Municipality

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INKWANCA MUNICIPAL 2010/11 AUDIT ACTION PLAN

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No	AG EXCEP- TION	AG FINDING	ROOT CAUSE	ACTIVITY/ACTION PLAN	RESPONSI- BLE PERSON	TIME FRAME	POE
	Accumulated Deficit						
1		Prior period ad- justment record- ed against the incorrect expense account	Inadequate review of cor- recting journal entries	Sign and author- ize all journal entries as evi- dence of review	CFO	28 Feb 2012	Journal files with supporting doc- uments
2		Correction of prior period error	Supporting documents not agreeing to schedules	Attach all sup- porting documen- tations to journal vouchers	CFO	28 Feb 2012	Journal files with supporting doc- uments
3		Community Gar- dens	Financial state- ments not re- viewed	Adjust 2010/11 financial state- ments retrospec- tively to reflect the prior period error	CFO	28 Feb 2012	Adjusted Annual financial state- ments
	Non-Current borrowings						
4		Classification	Non perfor- mance of de- tailed review of AFS	Reclassify the loan from non- current liability in AFS	CFO	31 Mar 2012	GRAP compli- ance annual financial state- ment

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	Cash & Cash equivalents						
		Misclassification	Non performance of detailed review of AFS	Reclassify the call accounts into cash and equivalents for both current and prior financial year	CFO	31 Mar 12	GRAP compliance annual financial statement
		Error in cashbook	Inadequate review of bank reconciliation	Review of bank reconciliations on monthly basis	CFO	Monthly	Review and signed bank reconciliations
				Sign bank reconciliations for accuracy and completeness	CFO	Monthly	
		No bank reconciliations for the call account	Consideration of this call account as an investment account	Prepare bank reconciliations for all bank accounts, including call accounts	Senior Accountant	31 Jan 2012	Bank reconciliations with supporting documentation
				Review of bank reconciliations for all bank accounts	CFO	31 Jan 2012	Review and signed bank reconciliations
	Employee costs						
		Performance bonus not calculated	Incorrect amount for annual remuneration	Calculate the performance bonuses based on	Expenditure Accountant	28 Feb 2012	Review and signed

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		lated correctly	neration pack- age being used	correct annual remuneration package of sec. 57 managers			reversal journal entry
				Review the bonus calculation and signed as evi- dence	CFO	28 Feb 2012	Review and signe d bonus calcula- tion
				Calculate the performance bonuses by using the current year PMS assessment rating calculator	Expenditure Accountant	Annually	Performance bonus schedule correctly calcu- lated
		Overpayment of wages	Ineffective preparation of wages schedule	Use standardized excel template for monthly prepara- tion of wages	Expenditure Accountant		Standardized wages schedules
		Payment mis- statements found within employee costs	No manage- ment review for authorized payment from pay day system	Review all inputs from payday sys- tem	CFO	Ongoing	Correctly calcu- lated salary schedules
		Internal control deficiencies	No monitoring of controls over the master file amendment process	Review master- file amendment forms against supporting docu- mentation.	CFO	Ongoing	Mater-file amendment forms
		Standby allow- ance incorrectly calculated	Staff not being aware of HR policy and lack of review and authorization of calculation of standby allow- ance	Calculate standby allowance in terms of SALBC consolidated col- lective agreement on condition of service	Expenditure Accountant	Monthly	Attendance reg- istry for HR policy work- shop

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		Acting allowance	Being unaware of correct method of calculation of acting allowance in terms of HR policy	Calculate acting allowance based on the formula per municipal HR policy	Expenditure Accountant	Ongoing	Attendance registry for HR policy workshop
		Errors identified in appointments and terminations	HR processes of appointments and terminations not being strictly adhered to	Consider creating a step-by-step procedure list for all appointments and terminations	HR Officer	Ongoing	Approved HR processes and manuals
		Documents not on file	Inadequate storage and filing of all relevant and required information in employee's file	Consider implementing a checklist that should be attached to each employee file	HR Officer	Ongoing	Populated checklist
	end	Sick leave incorrectly calculated	Leave forms not being captured in a timely manner	Standardise and effectively communicate the process of leave applications to all employees	HR Officer	Ongoing	Duly completed leave application forms

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Unspent conditional grants are not cashed back	Lack of administrative processes	Open separate bank accounts for each grants. Reconciliation of these accounts on a monthly basis	Senior Accountant	Monthly	Reconciliation working paper
DORA reporting requirements	No formal processes being in place for the Dora reports to be complied and issued	Compile quarterly reports to be submitted to National Treasury	Senior Accountant	Quarterly	Quarterly report
Submission of bank accounts details	Being unaware of the requirements of the legislation regarding the submission of bank accounts details to Provincial Treasury & Auditor General	Review of submitted information together with supporting documentation, submission of that information to external parties	CFO/MM	Annually	Report to Provincial Treasury & AG
		Reconciliation of conditional grants on a monthly basis	Senior Accountant	Monthly	Reconciliation working paper
Landfill sites	Lack of monitoring of permit conditions	Monitor all landfill sites in both towns and ensure that they comply with the conditions of the permit	Environmental Officer	Ongoing	Landfill sites permit
Official website	Inaccessibility of municipality's website	Compliance with section 75 of the MFMA that all the documents required are placed on the official website	IT Officer	Within 5 days of Council sitting	Council resolution
Bad debt writ-	Non adherence to applicable	Adjust bad debt collection policy to include processes for	CFO	Regularly	Adjusted debt collection policy approved by Council per its

Chapter 4

ten off	policies	handing over debts to debt collection services. Assess debtors for recoverability. Develop bad debt written off policy			resolution
No supplementary valuation roll	No person held responsible for the supplementary valuation roll	Adjust and update the supplementary valuation roll. Perform reconciliation of valuation roll	MM	Annually	Updated valuation roll approved by Council per its resolution
Inaccurate/incomplete property register	No person held responsible for the property register	Re-assess property register	MM	As and when	Property register with adjusted consumer rates.
Risk assessment not performed	Accounting officer not performing his duties in terms of risk assessment	Perform risk assessment	MM	Annually	Completed risk assessment checklist
		Evaluate/monitor risks	MM/Management	Annually	Completed risk assessment checklist
		Implement mitigating control to address risk identified	MM/management	Annually	Completed risk assessment checklist
		Develop action plan to address risk identified	MM/Management	Annually	Completed risk assessment checklist
		Establish a formal process to analyze risks	MM	Annually	Completed risk assessment checklist
		Consider all relevant risk to the municipality including risk of	MM	Annually	Completed risk assessment

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		material misstatement in AFS			checklist
		Involve managers in the exercise to identify and address risk	MM	Annually	Completed risk assessment checklist
Distribution losses	Inadequate consideration of impact given by these probable losses	Existing meters should be tested for accurately	Electrician	Monthly	Meter reading report
		Municipal meters must be read And recorded in a meter reading book	Electrician	Monthly	Meter reading report
		Follow up of all losses must be conducted	Electrician	Regularly	Meter reading report
		Municipal must appoint an employee to monitor electricity losses	MM	31 Jan 2012	Appointment of employee
On compliance with HR policy	Inadequate training in legislation	Staff under corporate services including manager should be trained in legislation relevant to them	MM/C orporate Services Manager	31 Jan 2012	Report on training
Annual and adjustment budget	Non awareness of Council about requirements of MFMA with regards to annual and adjustment budgets	Workshop of Council about the prescripts of MFMA	MM/C FO	28 Feb 2012	Attendance register for workshop
Submission of quarterly reports	Non monitoring of the preparation of quarterly report	Monitor the timely preparation and submission of quarterly reports to Council	Mayor	Quarterly	Submitted quarterly reports

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Payment of licences and permits to Traffic Dept on a weekly basis	Non awareness that income collected on behalf of Traffic Department should be paid over on a weekly basis	Income collected on behalf of Traffic Departments should be paid over on a weekly basis	Revenue Accountant	Weekly	Weekly reports on traffic licences
Suppliers not paid within 30 days	Municipality's cash flow problems result to non payment of suppliers in timely manner	Payments to suppliers should be made within 30 days after receiving an invoice	CFO	15 Dec 11	Suppliers statement and invoices
2009/10 Annual Report	Oversight committee being scheduled later than the date required by legislation	Ensure that the requirements of MFMA, sec 127 are adhered to when 2010/11 annual report is submitted	MM	Monthly	Annual report
No monthly management reports submitted	Lack of monitoring by top management on preparation and submission of monthly	Municipal system should be programmed to allow the preparation of monthly budget statements	CFO	Monthly	Management reports
Debt owing by organ of state not reported to National Treasury	Lack of monitoring by top management on preparation and submission of monthly	All government debts should also be reported to National Treasury	Revenue Accountant	Monthly	Reports on Government debts
Non submission of other leave information	Inadequate filing and storing of documentation	All Municipality documentation should either be numerically or alphabetically filed	Corporate Services Officer	Ongoing	Leave register/forms

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Reports for unauthorised, irregular, fruitless and wasteful expenditure	Lack of controls in identifying and reporting on fruitless and wasteful expenditure	Municipality should implement a system whereby unauthorised, irregular, fruitless and wasteful expenditure is identified, tracked and reported in terms of MFMA	CFO	Ongoing	Register for fruitless and unauthorised expenditure
Non compliance within fixed assets	Non updating of policy documents	Management should ensure that all policies are consistent with the municipal accounting practices	CFO	Annually	Reviewed asset management policy
Non compliance with the SALBC agreements	HR policy being compiled and reviewed without considering the clauses specified in the SALBC agreement	Municipality should consider the HR policy to be consistent and aligned with the SALBC main collective agreement	Corporate Services Manager	Annually	HR policy aligned to SALBC agreement
Incorrect reporting process of supply chain management policy	No formal processes being in place for the supply chain management reports to be compiled and issued	MM should within 30 days after financial year end, submit a report on the implementation of SCM policy to Council	MM	Annually	Detailed supply management report
Search on National Treasury's website for prohibited suppliers is not performed	Municipality not having a procurement officer and did not adhere to SCM	Municipality should conduct a review of National Treasury database for prohibited suppliers	CFO	As and When	Checklist of prohibited suppliers
No declaration of interest in	Municipality not having a procurement of-	Municipality should maintain an efficient and affective system of obtaining all required	CFO	As and When	Declaration of interest forms

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state suppliers	ficer and did not adhere to SCM regulations of 2005	document from suppliers as required by the SCM regulations			
Supply Chain Management policy relating to R30.000 to R200,000	Municipality not having a procurement officer and did not adhere to SCM	Municipality should employ a procurement officer who will comply with the SCM policy and regulations	CFO	01 Jul 11	Employment letter
	Municipality not having a procurement officer and did not adhere to SCM	Management should ensure that all purchases above R200.000 (Vat included) follow competitive bidding process	CFO	31 Dec 11	Adopted SCM policy and regulations
Deviations not disclosed in AFS	Municipality does not have an established system in place to accumulate disclosure error	Municipality should establish a system where all disclosure errors can be accumulated and reported where applicable	CFO	Ongoing	AFs disclosure
Three written quotations were not obtained	Municipality not having a procurement officer and did not adhere to SCM regulations of 2005	Municipality should ensure that three written quotations are from suppliers	CFO	Ongoing	Three written quotations
Weaknesses identified in the identified in the safeguarding of inventory	No formal process being in place to safeguard inventory items	All inventory should be stored in one location from where it is issued	CFO	31 Jan 12	Inventory sheet

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Incorrect interpretation of directive 4 for inventory purchases	Incorrect interpretation of the provisions of directive 4	Inventory purchased after 1 July 2009 should be recognised at cost (or net realisable value) in the AFS, and only inventory items still on hand prior to 1 July 2009 should be valued at nil due to Directive 4	CFO	28 Feb 12	N/A
Documentation not provided to support inventory costs	Inadequate filling and storing of documentation	All documents of the municipality should be filed either numerically or alphabetically, and stored in a secure location where only authorised persons can access the documentation	All management	Ongoing	Proper filling system
Independent review of supplier database	Unaware of the maintenance and review of the supplier database	All changes to the supplier database forms which should be reviewed against supporting documentation by the CFO who should sign these forms as evidence	CFO	Ongoing	Reviewed supplier database
		Once the forms have been uploaded onto the system this information should be reviewed by independent senior employee against the supplier database forms	Senior Accountant		Reviewed supplier database
		The supplier database forms should be sequentially numbered and regular sequenced checks performed to ensure that no forms are missing	Senior Accountant		Sequentially numbered database forms
		The supplier list should be approved by the CFO	CFO		Approved supplier list
		Maintain separate bank accounts and ledger accounts for all water and sanitation accounts	CFO	2012/03/31	Bank statements

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Water Services Authority control account creditor could not be verified	Municipality does not maintain separate accounting records that are accurate and complete, relating to water and sanitation	Municipality must ensure that the balances shown by debtors statements are net balances and that the closing balance is correct.	CFO	2012/01/31	Adjusted AFS
Debtors with credit balance	Errors made on the eVenus system in the past years not corrected to reflect correct current balances	All documents of the municipality should be filled either numerically or alphabetically, and stored in a secure location where only authorized persons can access the documentation	All Management	Ongoing	Proper filling system
Non submission of documents requested	Inadequate filing and storing of documentation	Performance of credits reconciliations regularly	Expenditure Accountant	Monthly	Creditors reconciliation working paper
Creditors reconciliations are not performed	Lack of adherence to internal controls due to lack of supervision on creditors staff to perform the recons	Reviewing and signing of the reconciliations as evidence	CFO		
Budget	Budget is not created in a user-friendly manner	The budget should be identified for every development priority	CFO	Annually	Council approved budget linked with IDP

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2009/10 Annual performance report	No review process of annual performance report	Review annual performance report for completeness prior to submission	MM	Annually	Reviewed annual performance report
Bonus provision incorrectly calculated	No person reviewing the calculation of the bonus provision prior to the adjustment being passed	The provision for bonuses calculation should be reviewed for accuracy prior to being approved for recording	Corporate Services Manager	Annually	Reviewed bonus provision calculation
Leave days balance exceed capped amount	Overstated number of leave days used in calculation of the provision	Review the balance of leave days for each employee to ensure none exceed 48 days	Corporate Services Manager	Annually	Reviewed balance of leave days
Leave pay provision including incorrect employees	No review or follow up is performed to ensure leave application forms are processed onto the system in a timely	Review employee included in the leave pay provision calculation to ensure only those entitled to leave pay are included in calculations	Human Resource Officer	Regular	Reviewed leave application forms
Leave pay provision incorrectly calculated	Number of leave days taken during the year per calculation not agreeing to number of leave days taken according to leave forms and not being accurately	All leave forms should be correctly captured onto the system and reconciliation should be regularly performed of leave days taken per system compare to approved leave forms.	Human Resource Officer	Regular	Reconciliation working paper for leave days vis-a-vis approved leave forms

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	captured				
Leave pay system does not run concurrently with financial year	Opening and closing balances of leave days accruing will be incorrect every year resulting in leave pay provision being incorrectly calculated every year	Ensure that payday system runs concurrently with financial year to ensure correct leave days balances at financial years end	Human Resource Officer	Regular	Reviewed payday system
Inaccuracies within sundry income	Incorrect capturing of receipts onto the eVenus system thereby causing differences between source documentation and the amounts recorded in the accounting records	Conduct daily reconciliations whereby the daily cash receipts captured onto eVenus is agreed to the supporting documentation for the day	Revenue Accountant	Daily	Reconciliation working paper for daily cash receipts and supporting documentation
Documentation not maintained for cemetery and rental revenue receipts	Inadequate filing and storing of documentation	All documents of the municipality should be filed either numerically or alphabetically, and stored in a secure location where only authorised persons can access the documentation	Revenue Accountant	Ongoing	Proper filing system
No reconciliation of rates on the system to the valuation roll	There are no clear lines of responsibility in place to delegate responsibility to staff	An annual reconciliation between the rates per eVenus system and the rates per valuation roll should be performed	Revenue Accountant	Daily	Reconciliation working paper for daily cash receipts and supporting documentation
No monthly service charge	No reconciliations being	Perform monthly reconciliation between debtors statements	Revenue	Ongoing	Proper filing system

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reconciliation	performed to ensure that the monthly debtors statements are accurate and complete	and eVenus prior to the debtors statements being sent out	Accountant		
Electricity consumption adjustment at year end	Municipal staff not having adequate training to enable them to calculate a reasonable estimated at year end	Train the municipal staff to be able to perform their designated duties. Perform the calculation to quantify the amount of prepaid electricity units not consumed	CFO	Annually	Reconciliation working paper for debtors statements and rates per valuation roll
Unsupported journal entry passed to agree the receivable sub-ledger to the general ledger	Error between trade receivables sub-ledger and general ledger were not detected and corrected in prior years	Reconcile trade receivables sub-ledger to trade receivables per general ledger	Revenue Accountant	Monthly	Reconciliation working paper for debtors statement and the system
Scope of limitation for revenue documentation not received	Inadequate filling and storing of documentation	All documents of the municipality should be filled numerically or alphabetically and stored in a secure location where only authorised persons can access the documentation	Revenue Accountant	Annually	N/A
Numerous misstatements found in revenue	No review of captured information taking place by senior management	Reconcile rateable properties and total assessment rates charged to consumers	CFO	Monthly	Reconciliation working paper for trade receivables
Overstatement of revenue and expenditure with regard to indigent debtors	Staff not being knowledgeable with the requirements of GRAP 9	Ensure that revenue is not be recognised where is collectable is not probable	Revenue Accountant	Ongoing	Proper filling system

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Vat receivable balance not reasonable	Municipality unable to evaluate all aspects of Vat and implementing controls over all factors that might influence Vat balance	Monitor and review all variables that influence the Vat balance, such as:	Senior Accountant	Monthly	Understanding of Vat 419-Guide for municipalities
		The municipality should not claim input Vat for agency expenses incurred or declare Vat for revenue earned			
		The Vat balance should be determined on an accrual basis so as to include the full Vat effect on trade receivable and trade payables at year end			
		Input Vat should be claimed on all Vat deductible purchases and output declared on all vat able revenue			
Non – disclosure of landfill site provision	Non performance of detailed review of AFS	Adjust the 2010/11 AFS to disclose that the municipality owns landfill site and has adopted the provisions of Directive 4	Environmental Officer	Ongoing	GRAP compliant adjusted AFS
Equipment					
Inconsistencies between mu-	Non updating of PPE register and	Perform regular checks on status of property transferred and	CFO	2012/06/30	Updated PPE register and in-

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municipality properties registers and results of deed searches	investment register	adjust PPE & investment register			vestment register
Assets on fixed asset register do not exist	Municipality does not conduct an independent fixed asset count at year end	Municipality should conduct an annual fixed assets count and adjust fixed asset register	CFO	2012/06/30	Updated fixed asset register

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance

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	recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what

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	we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.

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Section 1 of the MFMA defines a “vote” as:

- a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and*
- b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned*

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2008/09

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Chapter 4

1. INTRODUCTION

During 2010/11 financial year Inkwanca LM put in place an ambitious Service Delivery and Budget Implementation Plan. The main objective was to substantially improve the organisation's performance. This report therefore, covers the performance review in terms of SDBIPs of all the municipal departments. The intention is to assist the council to play its oversight role in so far as the achievement of municipal objectives. The Council has a mandate to implement programmes and projects that are geared towards improving the lives of the people who elected them. Various tools are at the disposal of the Council to realise such mandate, with the most significant being the Integrated Development Plan (IDP). The Performance Management System is therefore nothing more than a tool to measure and test the extent to which the Council is achieving its stated goals and plans".

The 2010/11 period was characterised by formidable challenges for Inkwaca L.M. Foremost were financial constraints and severe cash flow problems which led to some plan projects and departmental activities being scaled down, put in abeyance or even abandoned altogether. This affected mainly Technical Services, Community Services and LED departments. The fact that 2010/11 was an "election year" further complicated matters, as communities' demand for more and better service was at its all-time high.

1. ASSESSMENT OF NATIONAL TARGETS

Section 43 of the Municipal Systems Act No. 32, 2000 authorises the Minister to prescribe general Key Performance Indicators that every municipality must report on.

Despite dilapidated bulk infrastructure, significant progress has been made in respect of national targets, in the areas of water, sanitation, electricity and solid waste provision. Our greatest and biggest worry remains to be ROADS and STORMWATER. The municipality acknowledges, that though access to road within 500m is 100% as reported, the condition of such road live much to desired.

We have not done well in so far as free basic services. We had anticipated that over 3000 households in Inkwanca municipal area are indigent. A cause of corner is the number of household registered as indigent, just 2200. Free basic electricity figures do not tally with other services. Most of the indigent households are located in the Eskom area of supply. The delays in Eskom indigent registration processes, and has resulted in the low number of those accessing free basic electricity.

Chapter 4

OFFICE OF THE MUNICIPAL MANAGER

ANNUAL PERFORMANCE REVIEW

2010/11 REPORT



Chapter 4

COMMUNITY SATISFACTION SURVEY RESULTS



2010/2011

Chapter 4

1. Terms of Reference

The community satisfaction survey which was conducted February – April 2011, at Inkwanca Municipal area, in a sample of 1240 households which is equal to 20% of the population. This extensive initiative was done in line with fundamental objectives which included the following two, **to provide quality and affordable services to all communities of Inkwanca and to ensure good governance within the municipality (transparency, public accountability, access to information, administrative justice and responsiveness to your complaints.** The following are the areas of focus.

- Trading services
- Sanitation
- Electricity
- Residential streets, roads, sidewalks and payments
- Storm water
- Complaints regarding trading services
- Community services: refuse removal
- Municipal parks and playgrounds
- Community halls and libraries
- Municipal sports fields
- Complaints regarding community services development planning services,
- Traffic services
- Building plans and land use applications
- Economic development
- Communications

1.1 Method of work

The forms were prepared on this regard and distributed to 310 households in all locations within Inkwanca municipal area; geographic spread and issue of race were strongly considered. This whole report will reflect into areas of focus stipulated under terms of reference, following is the community response.

Total Number of Household surveyed	Percentage
310	20%

Female Headed Households	Male Headed Households
800	440

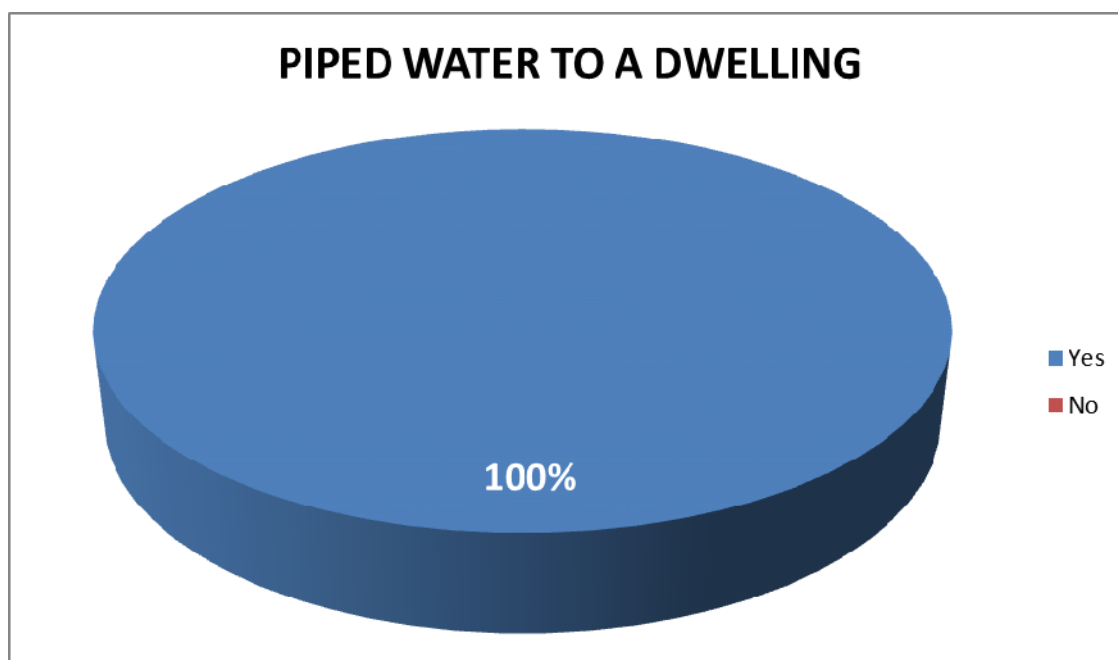
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Total	1240
Race	Number
Blacks	800
Whites	320
Coloureds	120

Overview of the survey

2.1 Trading services: Water

The survey confirms that every household at Inkwanca municipal area has access to water and it is piped to a dwelling.

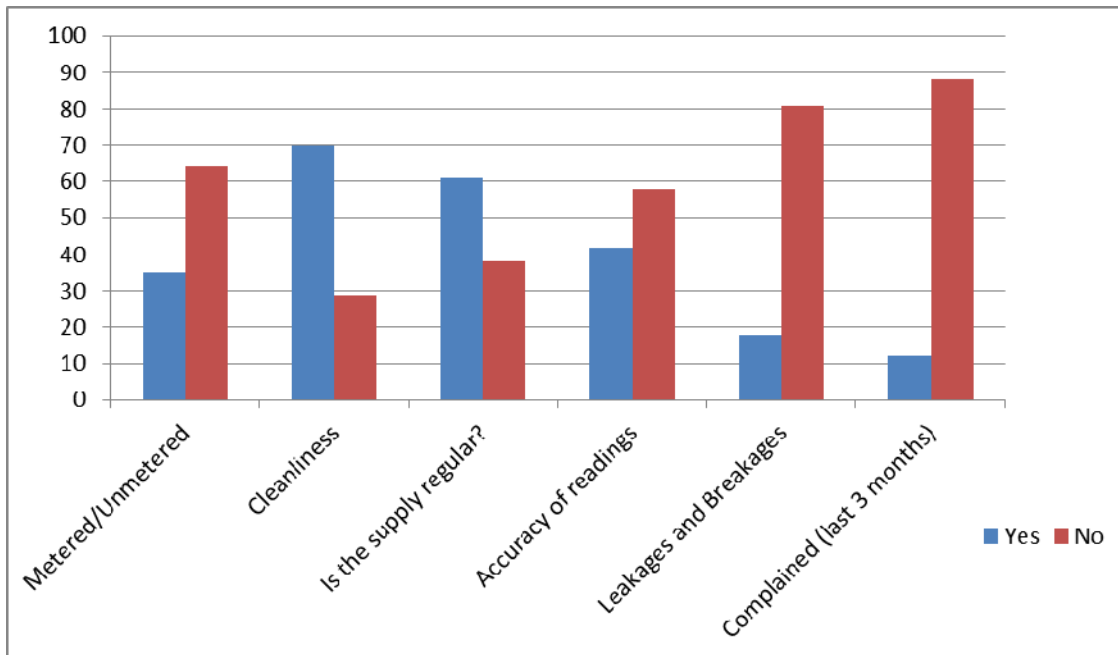


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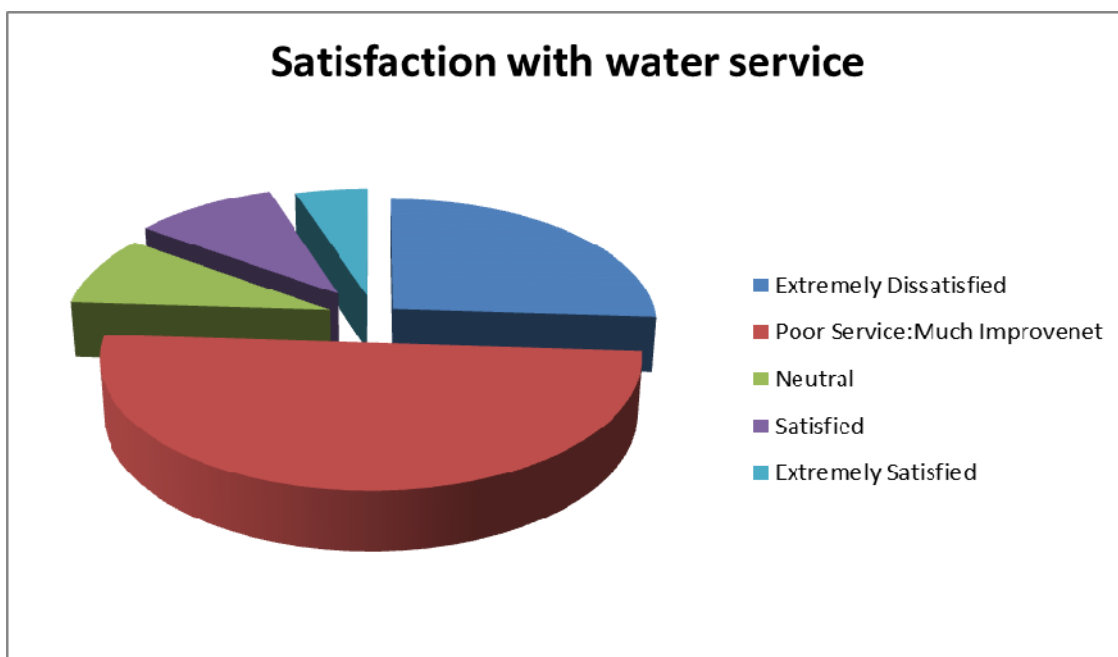
While access to water services is no longer a problem, there is a challenge which relates to:

- Measurement of water consumption: 64% of households enjoy unmetered consumption. It is only 36% whose consumption is known, therefore measured. This further indicates that, the municipality has a challenge with respect to water demand management.
- Water Quality: 71% of respondents indicated that they trust the cleanliness of water for human consumption, while 29% does not trust the municipality's water. Even though the majority indicated their satisfaction with quality, 29% is too big a number, for those whose perception is negative about cleanliness of municipal water.
- Regularity of supply: 38% indicated regular interruption of supply. This down plays 100% access that the municipality boasts about.
- Accuracy of readings: this area is a cause of great concern, 58% believed that their meter readings are inaccurate. The municipality must take the public to confidence with respect of billing accuracy. Both Meter readers and data capturers must be trained and accounts be verified and satisfied before they are issued.
- Breakages and leakages/Complaints: Leakages and Complaints stands at 18% and 12% respectively. One would have expected that complaints will be high if cleanliness is not trusted, or if the billing accuracy is questionable. This may be a result of people are no longer reporting breakages, or tired of reporting. And on inspection of municipality's Water and Sanitation Complaints Register, it became clear that not all water and sanitation matters are captured on the complaints book, for instances matters relating to incorrect meter readings are not reflected.

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Generally, the public is satisfied with water services, but the municipality must pay attention to the fact that over one quarter of its residents 26% are dissatisfied and believed that the service is poor.

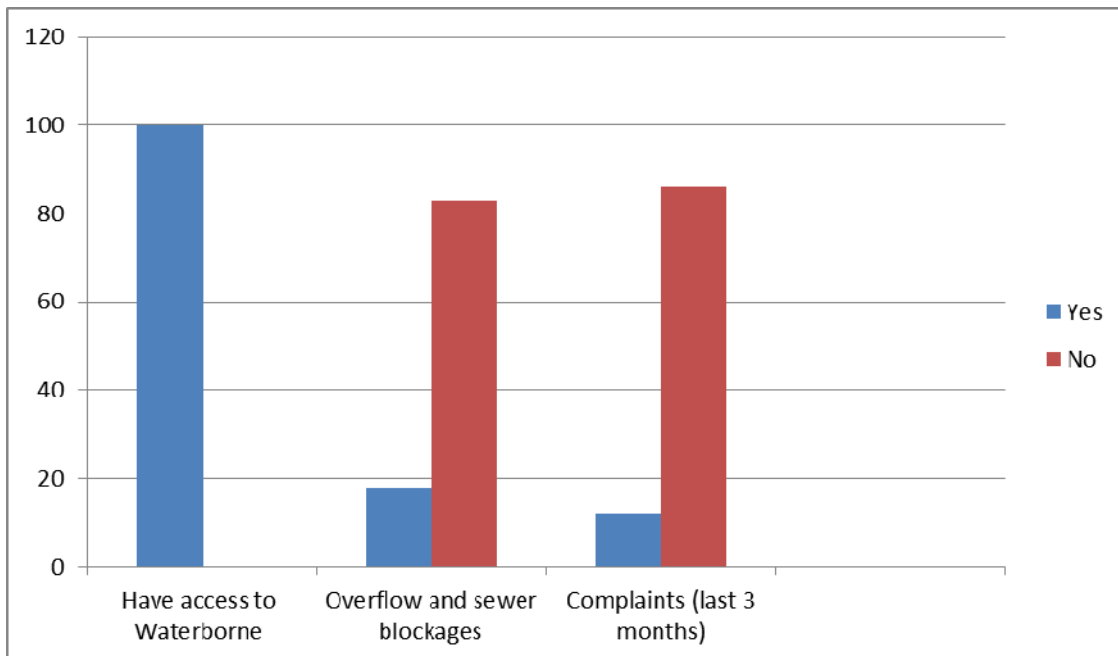


2.2 Sanitation

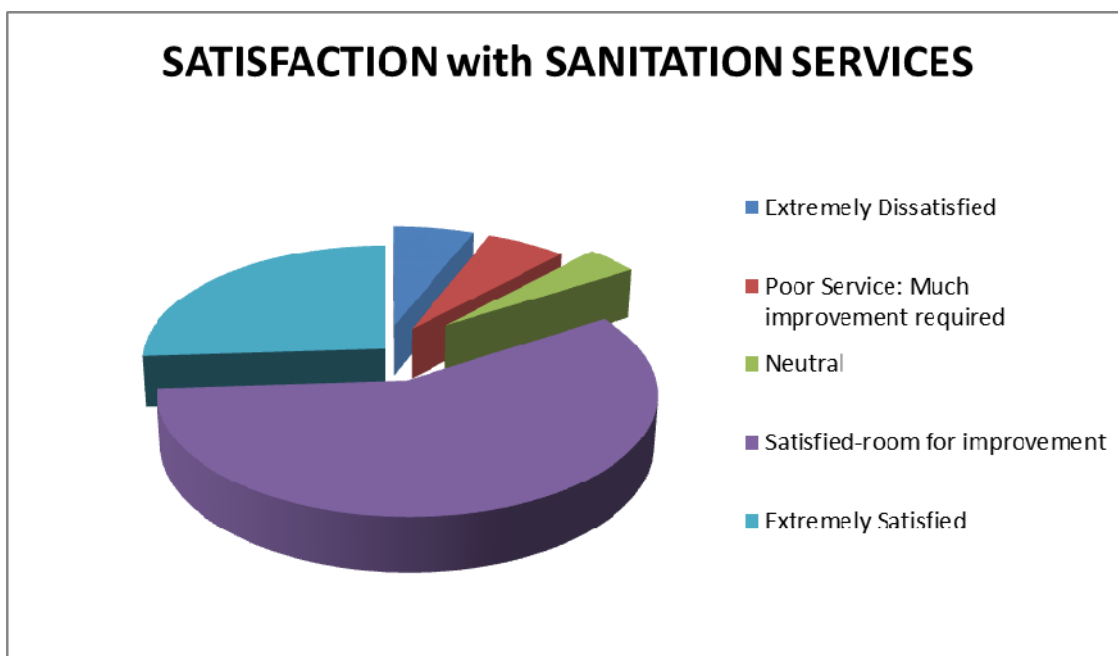
Under this point, the institution needs to recognise and applaud its amazing work that it has done to overcome bucket system and to provide flushing toilets to all household within the municipality. Again the survey con-

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firms an already known fact that all households (100%) have access to full waterborne sanitation services. There are few blockages 17% and there have been few complaints as well 13% for the last three months.



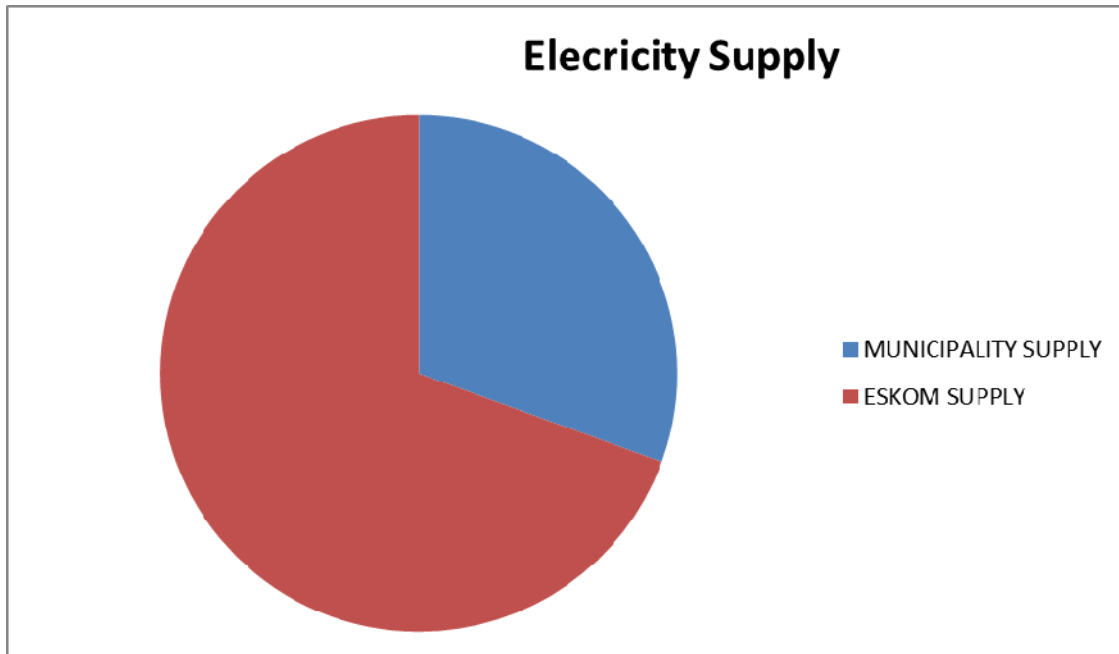
83% of households surveyed indicated satisfaction with sanitation services, only 12% believe that the municipality is delivering a poor service.



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2.3 Electricity Services

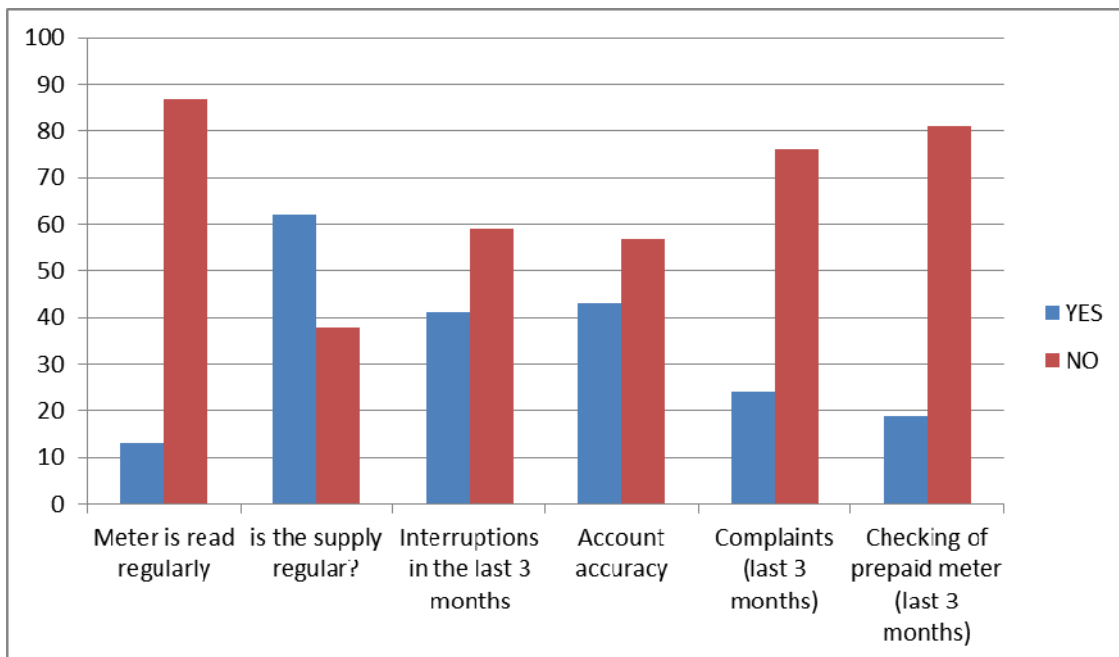
34% of respondents receive their electricity supply from the municipality, while 66% receive their electricity directly from Eskom.



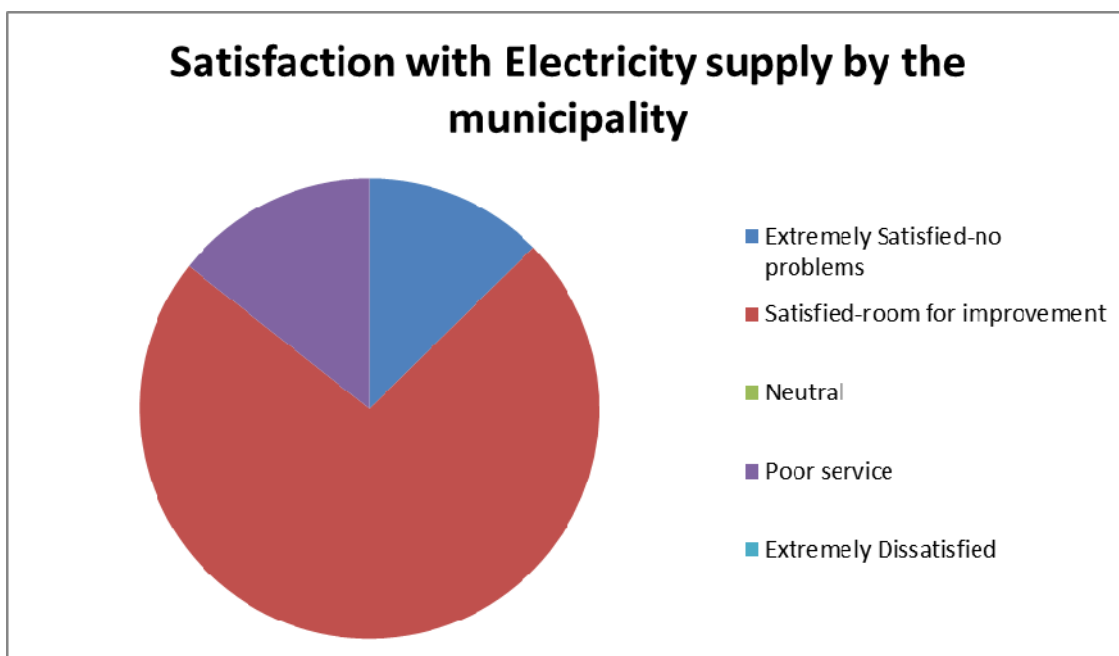
Those supplied by the municipality had this to say:

- Regularity of Readings: Only 13% of those surveyed indicated that electricity meters are regularly read. When checking with municipal officials it emerged that most (98%) of households are on prepaid system. It is only a few households and business that still use conventional meters.
- Inspection of Prepaid meters: Only 19% indicated that they were visited by municipal officials to check/inspect their meters during the last 3 months. This is a cause for concern as people may bypass meters and steal electricity. Random checks must be introduced and within 3 months every household should have been visited.
- Regularity of supply and interruptions: 38% of households supplied by municipality believe that the supply is irregular and 41% have indicated that there have been many interruptions in the last 3 months. While this may be due to rainy season and heavy down pours during the period of survey, the municipality must seriously look at its electricity supply systems so as to minimise interruptions and ensure that residents are not adversely affected by harsh weather conditions.
- Accuracy of electricity accounts: 56% believe that their electricity consumption is not captured or recorded correctly. This billing problem is the same as that recorded with regard to water services.
- Complaints: 24% indicated that they have forward a complaint of some kind to the municipality in respect of electricity service.

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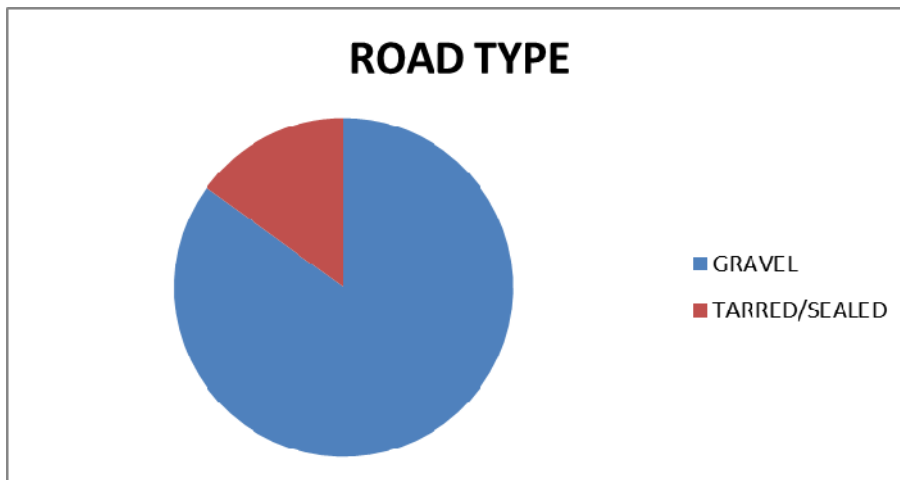
On the overall 61% of residents indicated satisfaction with electricity services. The 39% of those who do not believe that the municipality is doing a good job is a worrying factor. Measures must be devised to improve electricity supply, deal with billing and interruptions as a matter of priority.



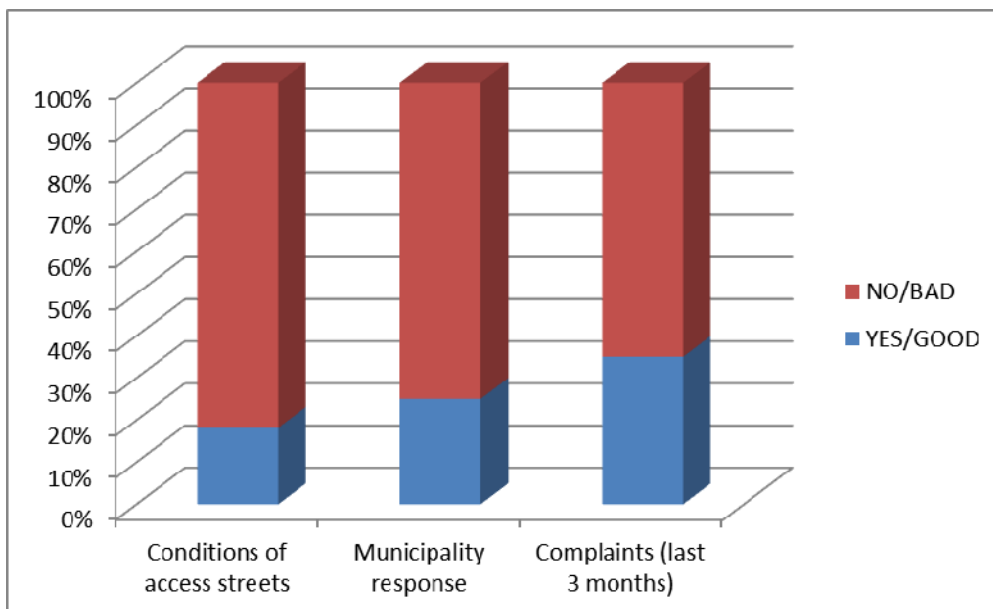
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2.4 Roads & Storm Water Management Services

These are areas that the municipality must pay focus and great attention. 84% of municipal roads are either gravel or dirt roads without any gravel top, only 16% of roads are tarred or sealed. The survey was conducted at the height of the rainy season, the residents reported numerous flooding of streets and houses almost in all areas where the survey was conducted. The provision and maintenance of storm water drainage by the municipality is inadequate/struggle to cope.

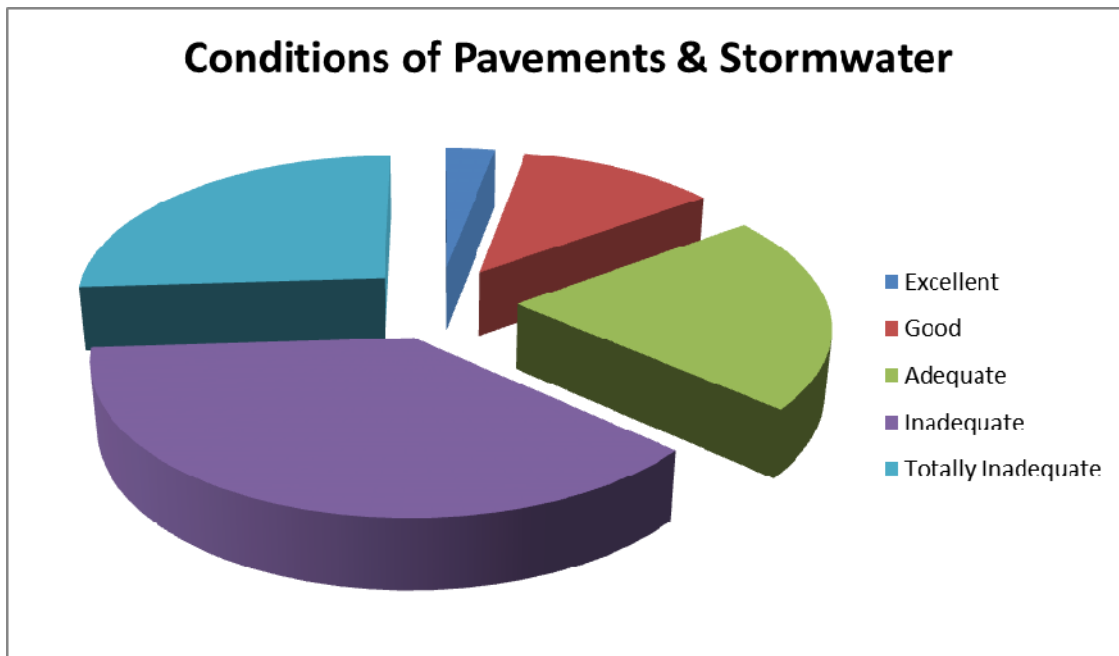


Only 14% of households live along a somewhat good access road, the majority 86% live along bad roads. When asked about municipality's responsiveness on roads challenges, 80% live along bad roads. When asked about municipality's responsiveness on roads challenges, 80% believes that the municipality lacks such ability. The majority of residents (69%) have laid complaints about roads and stormwater in last 3 months.



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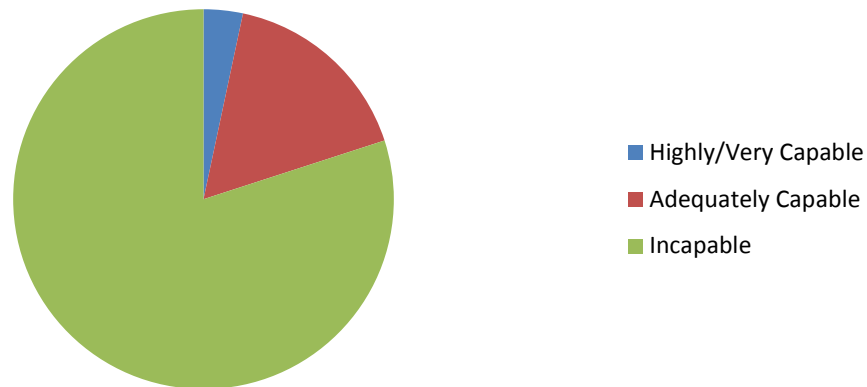
Only 3% believe that the municipality has excellent pavements and stormwater management system. 59% views that the municipality's stormwater is inadequate.



77% of surveyed households believe that the municipality is incapable of addressing roads and stormwater problems. When interviewing, municipal officials, it transpired that the municipal does not have road works equipment, eg grader, tip truck, roller, TLB, etc. this then confirms residents view about municipality's capability. Further viewing the municipality's 2010/11 budget- very little is set aside for roads and stormwater. The municipality, therefore lacks, material and financial resources (human resources- availability of technical skills have not been considered in this survey)

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CAPABILITY OF THE MUNICIPALITY IN ADDRESSING ROADS & STORMWATER PROBLEMS



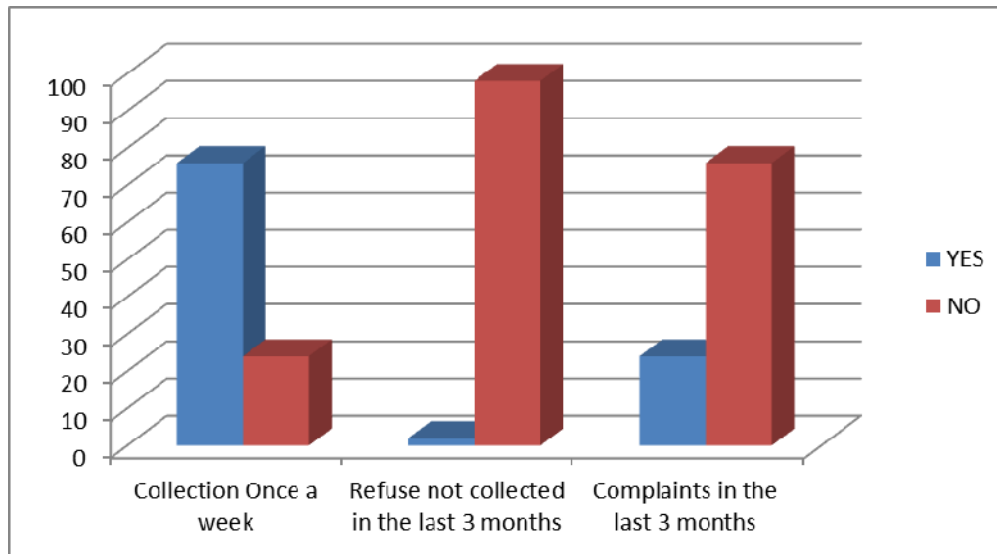
3. Community services

3.1 Refuse removal

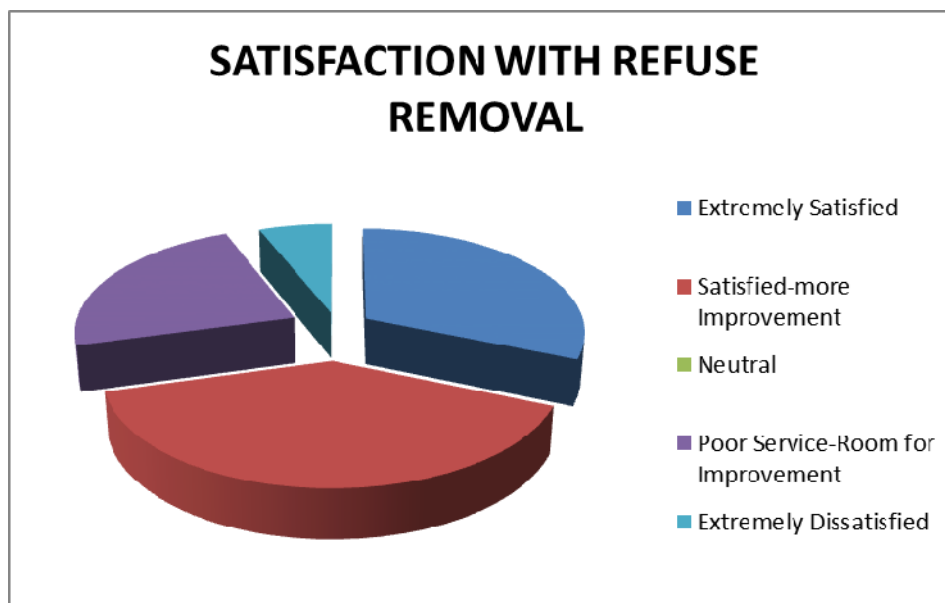
Regularity of Service: The majority of households (77%) indicated that they receive refuse collection in once a week, the fact that some households claim that they are not receiving such a service regularly, i.e. once per week- means that there is much room for improvement.

Complaints: Only 2 percent of households point to incidences, where refuse was not collected in the last three months. There have been 24% complaints in the last three months regarding weekly collection. On scrutinising the municipality's Complaints Register, the reason of majority of complaints relate to the municipality not sticking to their collection schedule.

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The satisfaction level about the service stands at 71%, while 29% of households indicated dissatisfaction with the service. The municipality must devise measures to reduce dissatisfaction to acceptable level of 15% or less.



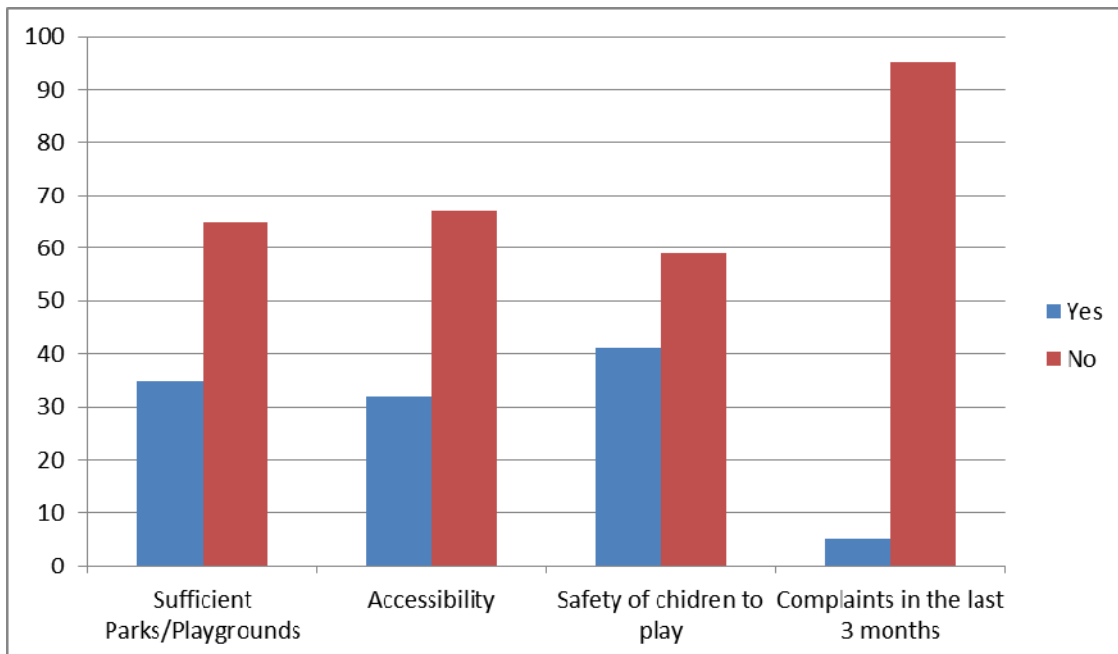
3.2 Municipal parks and playgrounds

The survey shows

- **Availability and Adequacy:** 65% believes that there are no sufficient parks and playgrounds in any area within Inkwanca.
- **Accessibility:** 67% view that the parks/playgrounds are not well situated/located and not accessible to the majority of the community. There must be a park with proper facilities in each residential area.

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- **Safety of Children:** 59% is worried that the same parks and playgrounds are not safe for children to play in.
- **Complaints:** only 5% have complained about the conditions of parks/playground in the last 3 months.

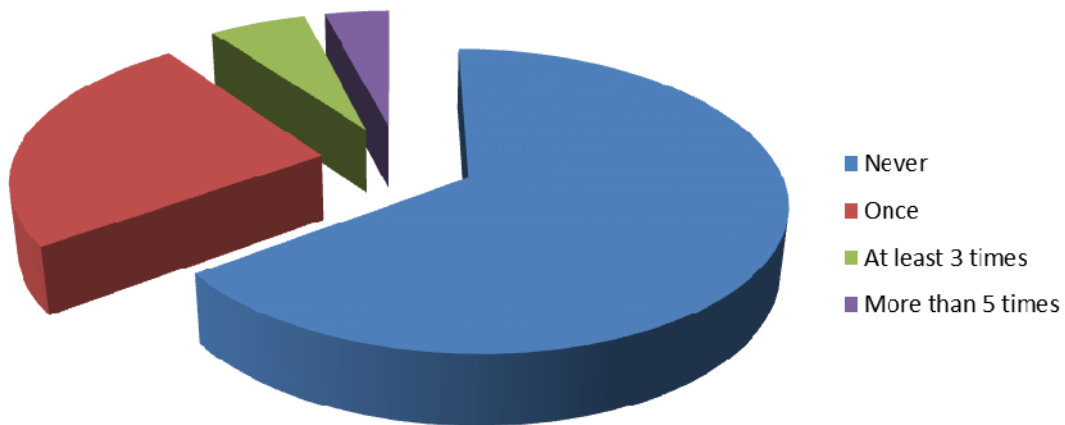


Generally there is a very low usage of parks and playgrounds:

- ✓ Never = 67%
- ✓ Once = 25%
- ✓ At least 3 times = 5%
- ✓ More than 5 times = 3%

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USAGE /VISIT TO PARKS & PLAYGROUNDS in the last 2 months

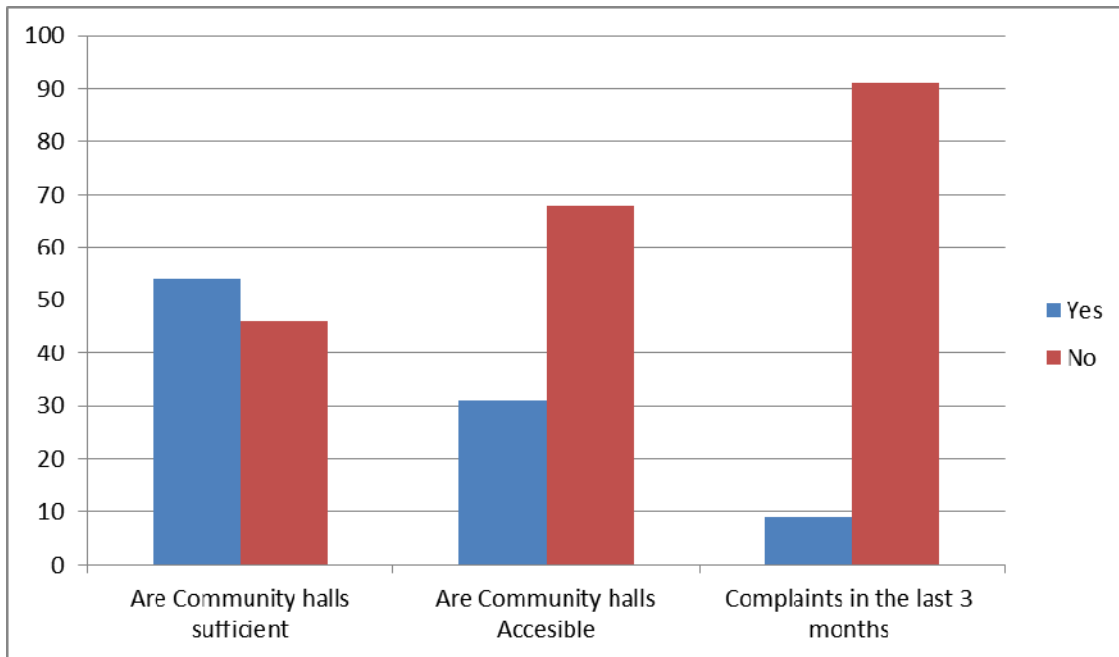


3.3 Community Halls

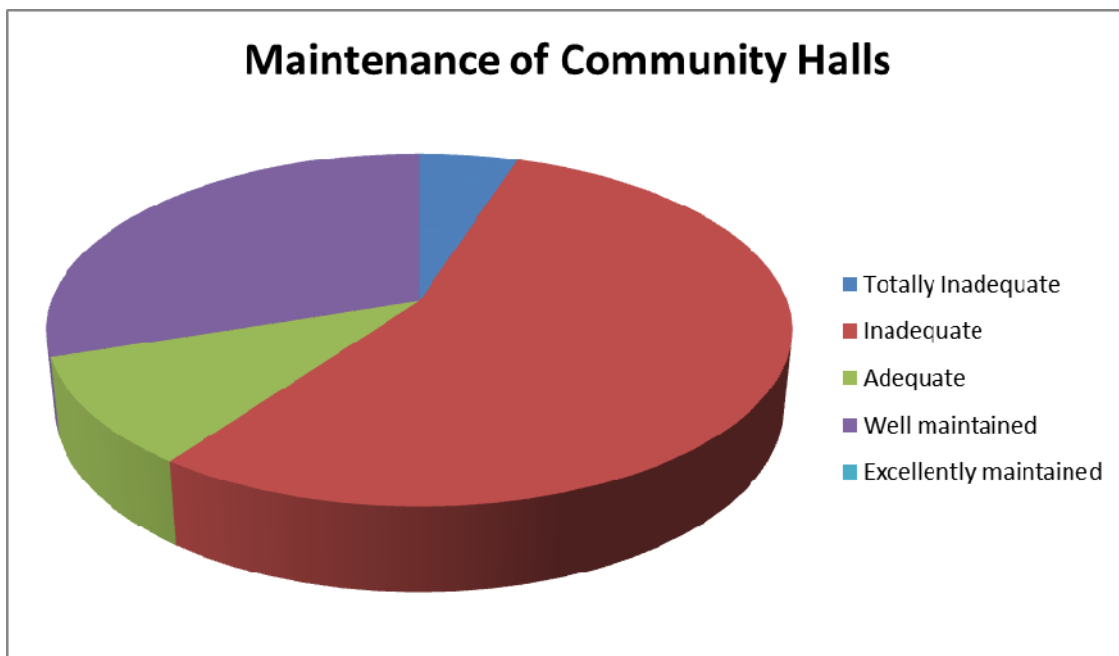
54% of respondents believe that there are sufficient community halls considering the one that is under construction at Sterkstroom. 46% mainly by the respondents from Phelendaba, Nkululeko, Sonwabile, Mqeshi, & Nceduluntu believe that the community halls are insufficient. The same respondents believe that the existing community halls are accessible.

There have been few complaints (9%) in the last three months regarding community halls.

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The majority of respondents 60% , believe that the municipality is not doing enough in terms of the maintenance of existing community halls. This is another area that the municipality must focus on as only 40% is satisfied with municipality performance in the provision of this service.



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3.4 libraries

- ✓ Usage: Majority of house-holds 56%, make use of municipal libraries once a quarter.
- ✓ Accessibility: 64% (mainly the township residents) of respondents believe that the libraries are not well situated/located and are not accessible to the majority of the community.
- ✓ Adequacy: 52% believe the two municipal public libraries are inadequate to service the entire area.
- ✓ Satisfaction level: There are high satisfaction levels 89% with the way in which the library staff deals with requests and enquiries.
- ✓ Complaints: In the last three months there have been no complaint regarding the library.

3.5 Municipal sports-fields

Majority of households members have never made use of municipal sports-fields or stadiums in the last two months.

Performance area	Indicator	Status of achievement
Water	% households that have piped water on site (i.e. yard taps, tanks or house connections).	100% of households have house connections.
	% households that have access to potable water within 200m of dwelling.	100% of all rural (farm dwellers) households have water within 200m of dwelling
Sanitation	% households with water bourn toilets.	99.8% of urban households have water-bourn toilets.
Electricity	% households with access to a legal electricity connection.	99.7% households have legal electricity connections.
Solid Waste	% households with access to weekly onsite refuse collection service.	100% of urban households receive onsite once per week Refuse collection service.
	% households with access to weekly kerbside refuse collection service	All kerbside service have been eliminated.
Roads	% households with access within 500m to a graded/gravel road	100% urban households have access within 500m to a graded/gravel road.

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Percentage of households with imputed expenditure of less than R1 100 per month that have access to all free basic services:

Performance area	Performance Indicator	Status of achievement
Basic Household Services	% household with access to basic levels of water, sanitation, electricity and solid waste removal.	100% households with access to basic levels of water, sanitation, electricity and solid waste removal.
Free Basic Service	% households earning less than R1 100 per month with access to free basic water	72%
	% households earning less than R1 100 per month with access to free basic sanitation	72%
	% households earning less than R1 100 per month with access to free basic electricity	50.8%
	% households earning less than R1 100 per month with access to free basic removal	72%
Performance area	Performance Indicator	Status of achievement
LED	<ul style="list-style-type: none"> Number of people who are economic active = 7200 (Census 2001) % of people employed (42% Census 2001) % of people unemployed (58% census) 	
	Number of jobs created through SMMEs and Co-operatives	230
	Number of permanent equivalent jobs created (EPWP, 3 month or more in infrastructure construction, municipal contract workers)	186
	Number of new jobs created through local economic development initiative supported by the municipality (including EPWP & contract workers);	416